

# Nation's Business

A USEFUL LOOK AHEAD

MAY 1967

## HOW YOUR TAX MONEY IS WASTED

PAGE 94

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Labor's pitch at bargaining table  
Open letter to Betty Furness  
LESSONS OF LEADERSHIP: Allan Shivers





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# Nation's Business

May 1967 Vol. 55 No. 5

Published by the Chamber of Commerce of the United States  
The national federation of organizations representing  
4,750,000 companies and professional and business men  
Washington, D.C.

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Nation's Business is published monthly at 1615 H St. N.W., Washington, D. C. 20006. Subscription rates: United States and possessions \$19.75 for three years; other countries \$10 a year. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. © 1967 by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only. Postmaster: please send form 3579 to 1615 H Street, N.W., Washington, D. C. 20006

Editorial Headquarters—1615 H Street N. W., Washington, D. C. 20006

Advertising Headquarters—711 Third Avenue, New York, N. Y. 10017

Circulation Headquarters—1615 H Street N. W., Washington, D. C. 20006



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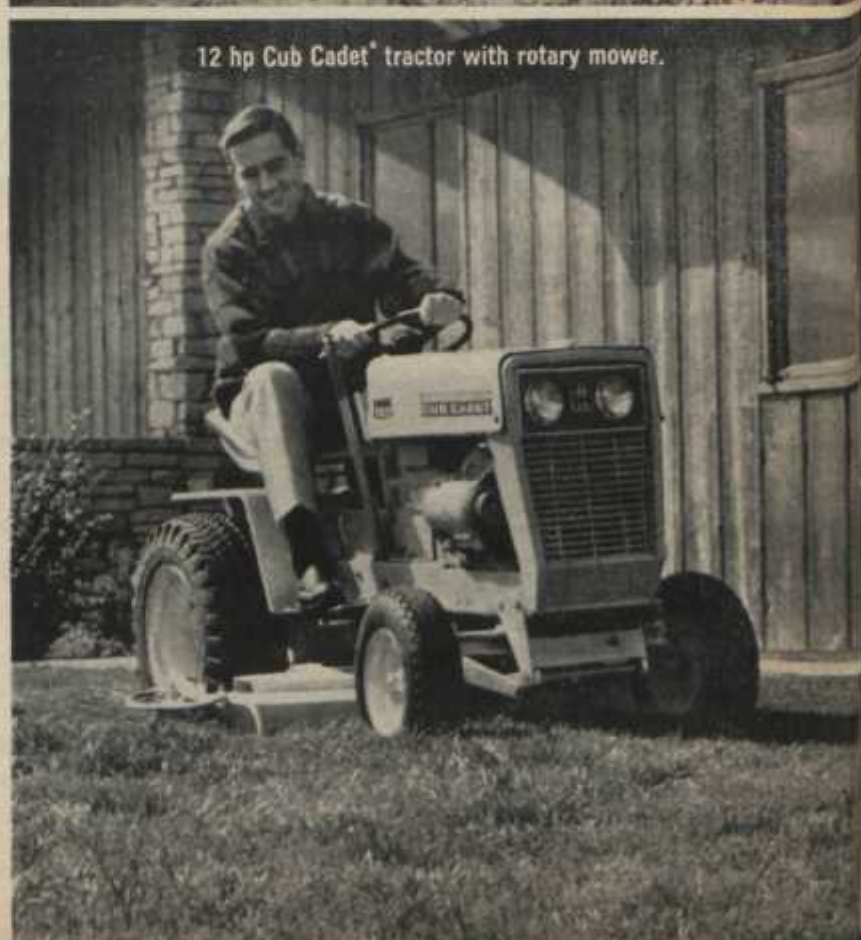
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# WASHINGTON: A LOOK AHEAD

**"We have outgrown** the kind of paternalistic welfarism that creates self-perpetuating roles of dependence for many citizens."

Barry Goldwater speaking? Not at all. It's John Gardner, Secretary of the Department of Health, Education and Welfare, the federal agency that's dished out more doles than any public body in the history of the world.

Has a massive shift in thinking taken place in Washington? Or is it just talk?

**Listen to LBJ's key assistant** Joe Califano. He says government today has departed "sharply and dramatically" from "the New Deal principles of Franklin Roosevelt . . . when the drastic surgery needed was the direct payment and welfare programs."

Poverty war commander Sargent Shriver assures that the whole idea in war on poverty is hardheaded, businesslike effort to help the destitute stand on their own two feet and stop the handouts.

**Another quote:** "Today the most intelligent (people) favor strengthening state and local government."

No, that's not Gov. Lurleen Wallace of Alabama speaking. It's HEW Secretary Gardner again.

By now you may be utterly confused at these utterances from Washington. All this is what business leaders have been telling the government for years, and all they got from liberal bureaucrats was a curled lip or a disdainful hee-haw.

They still get a back of the hand from some bureaucrats today, because so many in Washington are still steeped in the New Deal, Fair Deal philosophy. When you've been "hooked" for years, you don't kick a habit overnight even if you want to.

**Sure, some top thinkers** in government are suggesting more initiative, responsibility and

decision-making, as well as some of the money, can also be dispersed to individuals in every corner of this busy land.

But the Administration stands firmly against the idea of sharing federally collected revenue



Secretary Gardner

with the states so they can buy what they feel is best for people. And though there's mounting evidence of waste, red tape and overlap, too little results, in many federal grant programs, Washington still shovels the dollars

through those big open doors of the Treasury.

HEW Secretary Gardner is planning to spend in the coming fiscal year (including social security payments) \$44.7 billion.

As a yardstick, that figure is about what total corporate profits of all industries were only 10 years ago.

**The words from Washington** don't mean that doles will end. Califano explains that though emphasis is on individual achievement and opportunity, plenty of Americans still need government help. "The poverty-stricken older American and the hopelessly disabled will require direct financial assistance."

**It doesn't mean** that all the new programs won't grow either. If you hadn't noticed how many people are being embraced in some of the new laws, take a look:

Over 500,000 kids are in so-called headstart education program; some seven million needy kids are getting more schooling facilities under federal aid to elementary and secondary education; one million youngsters (one in every six students) in college are getting a grant, loan or scholarship from Uncle Sam; another one million young people now take training in the



# WASHINGTON: A LOOK AHEAD

Job Corps or other manpower skills programs.

The stated aim now is to make long-range investments in individual's future instead of shortsighted handouts to encourage shiftlessness. Despite the noble new words, Washington clings to many old practices. It still has its



Sargent Shriver

head in the cobwebs about federal minimum wages, which force employers to drop many young, old and marginal workers whose abilities aren't worth the government-enforced minimum.

Washington also hasn't shaken off old, dried skin of a philosophy that says "if a subsidy is good for the needy, it is good for the unneedy." So medicare, urban renewal grants and other funds go to rich people and cities as well as poor.

But it is encouraging to businessmen to hear voices in power in Washington say, as did Secretary Gardner: "We're learning, too, that the evaluation and planning we need doesn't all have to be done at the federal level—indeed shouldn't all be done there." And "the nation cannot solve any of its significant national problems without the help of the private sector."

It's also interesting to see how private property even seems to be coming back in favor.

Shriver and his poverty workers found that the only way to encourage the poor and ignorant to take care of things is to make them believe they own them.

Califano maintains that Washington now is using businesslike "systems" approach to problems. Idea is to attack a huge problem in all its aspects, like model cities plan. But he admits, "We still don't have enough facts." That's why, "We're gearing up our intelligence to seek all possible alternatives and innovate wherever possible. Now it's politics of innovation we're doing."

**Federal agencies set up to inject** new life into lagging sections of the nation find they have big new job. Economic Development Administration and Office of Regional Development Planning were created year before last in Department of Commerce to give dollars, planning aids to poverty pockets and depressed multistate regions that haven't kept pace with the boom.

But now a key job of the sister agencies is trying to sort out the raft of Washington programs and projects. Latest count—170 federal programs run by 21 different departments and agencies.

There are so many and confusing programs for governors and other state and local officials to keep track of, "we've had to become a vehicle for coordination," Acting Commerce Secretary Alexander Trowbridge tells Nation's Business.

Pressure from governors has helped nudge Washington planners toward their vision of more sharing, cooperation with grassroots.

**Long road-show hearings** on the war on poverty, conducted by Senator Clark of Pennsylvania, will probably end up with recommendations for:

More federal authority to bypass state governments in handing out poverty money.

Some type of guaranteed family income paid by federal taxes.

A revival of mass public works projects, similar to those of the 1930's, for sopping up the unemployed—especially if Viet Nam ends.

Plans to prod more colleges, universities to get into anti-poverty work.

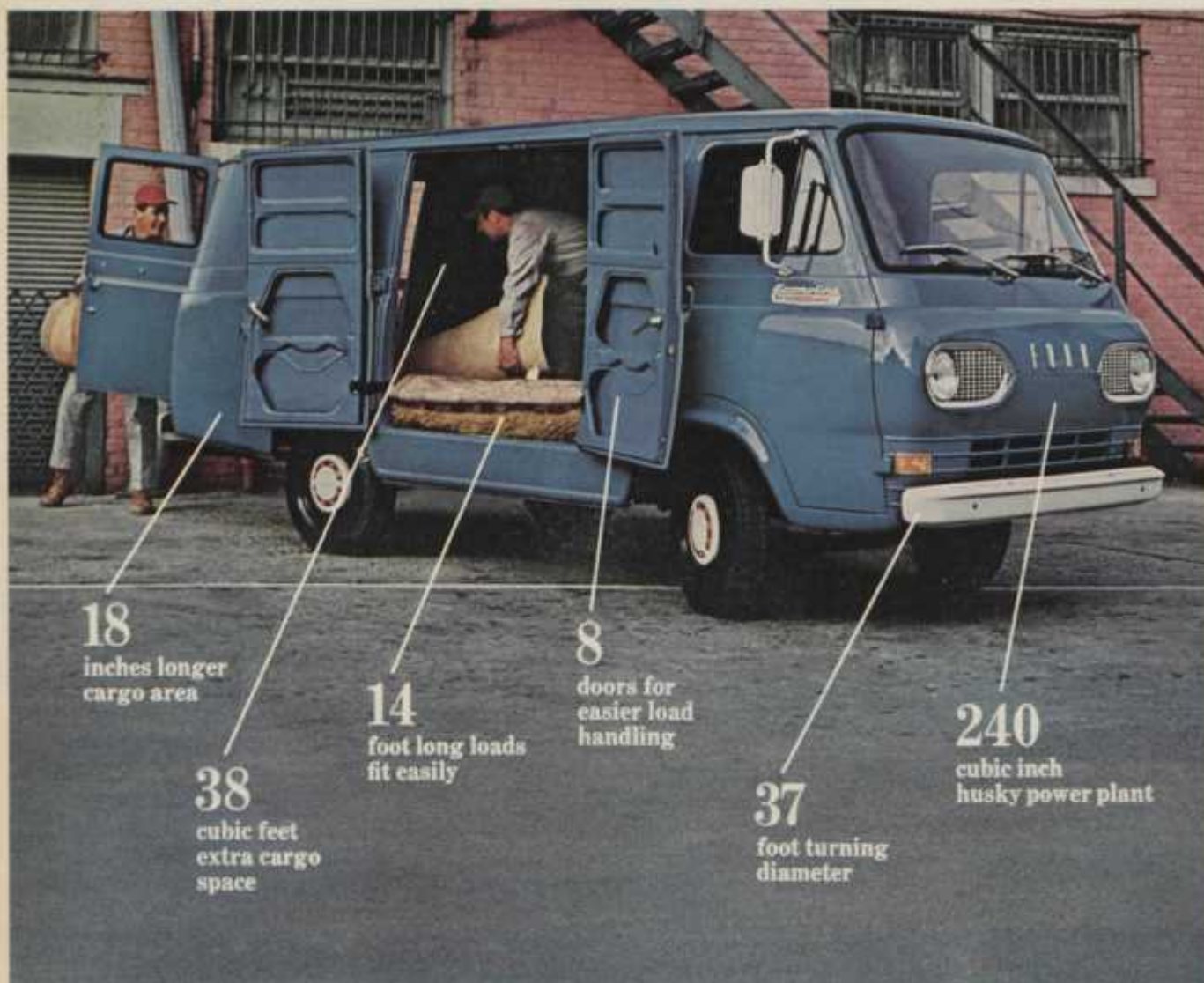
Encouraging more businessmen participation by building in mild profit incentives.

**Actual letter** from a harried taxpayer:

"If these answers will not do, please schedule an inquest at your nearest local office. Sincerely. . ."



# How to win the numbers game:



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IN THE SAME  
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**Keith Wilson came to Georgia to help engineer the world's largest aircraft.**

**His son got a lot in the bargain.**



Col. Keith Wilson, USAF (Ret.), came South to be a division engineer at Lockheed-Georgia, just outside Atlanta.

Here, he and 25,000 others are building giant aircraft—including the fantastic fanjet C-5A, world's biggest military cargo-troop carrier.

Wilson lives five minutes from the plant with his wife Eunice, daughter Mary, son David, a family plane and a sailboat. They have a pretty full life.

"In 23 years with the Air Force, we lived in many wonderful places—stateside and overseas," he says. "But none compares with Atlanta and Georgia. This area has everything."

Included in "everything" is famed Emory University, where son David (left) is a student. Emory is one of 19 higher learning institutions that make Atlanta a leading U.S. educational center.

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## Righteous but not right

### To the Editor:

I'm surprised that a journal enjoying the prestige of NATION'S BUSINESS would want to print "You Can Be Righteous but Not Right" [March].

Protestant clergymen lumped together in the target of this attack most certainly do not advise "the commander-in-chief on strategic matters," or "advise young men on how to avoid fighting for their country."

Clergymen do not "bring despair to our wartime President and to the parents and wives and children of more than 400,000 American servicemen" nor would they sacrifice the "lives of U. S. soldiers and marines."

Their first concern is with the lives wasted by this war.

The Christian church has not "failed miserably to teach men not to make war." The question of the morality of war would not exist except for the church.

ROBERT M. BELLES  
Assistant Pastor  
Holy Cross Lutheran Church  
Wheat Ridge, Colo.

### To the Editor:

Thank you so much for the very fine, splendid article, "You Can Be Righteous but Not Right."

It is a commendable thing that a magazine like yours dares to speak out on this kind of issue. Some of us have been in this battle for a long, long time and have fought the un-Americanism and the aid to Communism that is constantly spouted by leaders of the National Council of Churches.

WES AUGER  
Pastor  
Calvary Baptist Church  
Pompano Beach, Fla.

### To the Editor:

Mr. Sypher takes a very curious position. Referring to a policy statement on the war in Viet Nam issued by the General Assembly of the National Council of Churches, he asks, "By what right do they issue public papers that must bring despair to our wartime President and to the (families) of more than 400,000 American servicemen?"

I do not belong to a church in the Council, but since when may a citizen or a group of citizens not take a public position against a President's policy?

LEONARD BURKAT  
New York, N.Y.

### To the Editor:

After reading your article on Viet Nam, I'm on your side 1,000 per cent. My son is over there with the Marines.

The story should help him understand we're not all nuts.

DICK HALLAND  
Gloucester, Mass.

### To the Editor:

Why, if our course is so undeniably just, is it not better supported throughout the world where people otherwise friendly to us are as repelled by our action in Viet Nam as is the National Council of Churches?

Perhaps Mr. Sypher has the answers. I don't, nor does the National Council of Churches who, without them, quite properly questions Mr. Johnson's credibility and judgment.

THOMAS F. PETERSEN  
Hinsdale, Ill.

### To the Editor:

As a United States Marine serving in Viet Nam, I offer my most sincere thanks to Alden H. Sypher

for his concise and accurate article.

If only his ideas, in their grim reality, could be more widely shared and manifested by other Americans.

TEMPLE B. PACE  
Corporal USMC  
Hill 55  
South Viet Nam

## Not Potomac Electric

### To the Editor:

What's in a name? Probably not a great deal, unless it's your own.

Well, in your recent excellent article on West Virginia ["Why Pump Prime a Gushing Economy," April], you call us by another's name.

Our Hampshire County friends deserve the credit. All we want is our right name—The Potomac Edison Co.

C. E. GARDINER  
Manager  
Public Relations Activities  
The Potomac Edison Co.  
Hagerstown, Md.

## Junior Achievement's role

### To the Editor:

I was both surprised and disturbed that the article "Youth Gets the Truth" [March] was written without mention of the nationwide activities of Junior Achievement.

The nation's business leaders agree that one of the greatest threats to our free enterprise system is the passive attitude with which our young people view the business world.

Junior Achievement is a program which is designed to give young people a bird's-eye view of how a business really works.

ROSS A. CRAIG  
Program Director  
Junior Achievement of  
Greater Minneapolis  
Minneapolis, Minn.

## Feeding the World

### To the Editor:

Personally, I am in full agreement with William T. Brady's conclusions. ["They Don't Have to

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## Business opinion:

Starve" March] that through the application of modern technology we can so increase agricultural production that it will be true that "they don't have to starve." We have the agricultural know-how to double and triple our productivity.

However, I was amazed that the nation's leading business publication should ignore what seems to me to be the absolutely essential element—and that is a price high enough for the products of the farm to pay for all of the inputs which modern technology recommends.

Farmers everywhere want to use the most modern methods but modern methods cost a lot of money.

But the astounding fact is that the farmer must sell his products right here in the United States for actually less than he was receiving 20 years ago.

Any day that the farmers of the United States, India or Patagonia can get enough money from what they produce to justify the purchase of these needed inputs, they will raise the level of production. All of which simply means that government cannot keep the price of agricultural commodities low and expect to indefinitely increase agricultural production either here or abroad.

W. R. POAGE

Chairman  
House Agriculture Committee  
Washington, D. C.

## Tax-supported pickets

To the Editor:

You are to be complimented on the article "Now Your Taxes Train Pickets" [March]. This was excellent coverage and responsible reporting.

I might point out one interesting fact. Cesar Chavez (AFL-CIO labor leader) has been trying to force us not only into signing a labor contract, but also to unilaterally abandon an existing contract with the Teamster Farm Workers Union, covering the same employees.

F. PERELLI-MINETTI

Co-manager  
A. Perelli-Minetti & Sons  
Delano, Calif.

## Mr. Drucker's article

To the Editor:

Congratulations on a very well-written and most useful article, Peter Drucker's "How to Double Your Sales" [March], on what it takes to provide the first-rate salesman with more selling hours.

ALFRED L. GOLDEN

Vice President  
Beneficial Standard Life  
Insurance Co.  
Los Angeles, Calif.



# Do you really know your company's markets?

## Try these questions.

Can you look at any firm—in any industry—and estimate its sales potential for your products?

Can you identify those prospects which represent the best potential for your future growth?

Are your top salesmen really productive or are they just located where the cream is?

Should you be using your own salesmen—representatives or agencies?

Are you sure you haven't overlooked any rich, untapped markets?

If you're uncertain about the answers to any of these questions, then the new IBM Industry Information Service can help.

It's designed for those who sell to the industrial market place.

This new service offers—at low cost—a series of marketing reports tailored to your company's needs.

The reports will show the dollar potential you're

missing in every segment of industry.

The reports will show the dollar potential you're missing in each of your own sales territories.

The reports will identify each prospect for your products, and rate them by dollar potential.

The reports give you the answers to these and many other questions in a form you can use.

The coupon is the first step.

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Name \_\_\_\_\_

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**Lathem**

TIME RECORDERS  
PROGRAM TIMERS  
TIME STAMPS  
WATCHMAN CLOCKS

## Executive Trends

- In any language—communicate
- Tune in a sales meeting
- Inside the attaché case

### How IBM unclogs communications

Digalo.  
Snakk ut.  
Offen gesagt.  
Parliamone insieme.  
En toute franchise.

Or, in English, Speak Up. That's the name of IBM's popular way for employees to establish rapport with the boss.

Roughly translated, as above, it's found in IBM plants in Spain, Norway, Germany, Italy and Belgium.

It brings in about 9,000 letters a year—signed and unsigned. Six out of 10 deal with personnel matters—pay, promotions, working conditions. Letters go to the plant manager, vice president or board chairman—as far up as it takes to get an answer.

Speak Up pays off, Richard M. Wight, IBM Director of Information, says. It brings to light needed reforms—outdated ways of doing things, overlooked safety hazards. Above all, it convinces IBM employees that management will listen to them.

Some programs like Speak Up haven't caught on, Mr. Wight warns. But he insists the secret of its success is that IBM officials try to field every query frankly.

No one, except an editor sworn to secrecy, knows the names of letter writers.

### Sales meeting—home delivered

Just tune in on the late, late show—for a little homework.

The 2,000 employees of Los Angeles' Helms Bakeries do.

At 1:00 a.m. the other night, they flipped the switch of their television to Channel 11 and watched in their living rooms a 15-minute pep talk on their employer's marketing strategy for 1967.

The early morning session was timed for the hour when the bakery's driver-salesmen go home after the late shift.

"It's the first time commercial TV's been used like this," President Paul Helms, Jr., says.

"And it is the first time in 36 years that our management has been able to talk to all its employees, face to face."

Cost: Cheap. Less than \$1.50 per employee, including \$1,500 for nonprime TV time.

Results: Good. A five per cent hike in sales when they usually take a seasonal drop, says the company.

### The busy exec's traveling desk

Ever wonder what fellow executives carry in their attaché case?

Denver's Samsonite Corp., maker of luggage, toys and casual furniture, wondered, too. It took a survey of 10,000 accountants, ad men, bankers, lawyers, stockbrokers and other execs and found:

- Eight out of 10 carried publications, mostly dealing with their business or profession.
- Two out of three carried work to be done at home or en route—including confidential papers they wouldn't leave on the desk.
- Four out of 10 carried shaving



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"Money for Manpower" tells how your business can benefit from the New York State Manpower Training Act. Write for it today.



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...where it's our business  
to help your business grow.

## EXECUTIVE TRENDS

*continued*

equipment—to be ready for after-hour appointments.

- One out of five carried cigars, cigars or pipe tobacco.
- One out of 10 carried liquor.

As one executive put it, the attaché case "serves as a traveling desk, and a diplomatic pouch that carries personal and business matters from office to home."

### Helpful hints for head-hunters

College recruitment is one of your firm's toughest courses.

And too many flunk it, one Pittsburgh industrialist believes. W. F. Rockwell, Jr., president of Rockwell-Standard Corp., adds that you can boost your grade like this:

- Invite top college prospects to your plant for a two- or three-day, get acquainted visit.

While they're there, put in a plug for your city's charms, as well as your firm's attractions.

- Polish up your campus image.

Look for opportunities to talk to students and faculty. And stress your approach toward management, showing how your firm offers exciting growth.

- Convert temporary college help into full-time employees.

Even top-rated engineers, for example, often jump at summer jobs. Give them work that whets their interest. Chances are good they'll be back after graduation.

- Don't oversell and under challenge.

Make no promises you can't keep, and don't put bright young men in long, dull training programs. They want to be where the action is.

Otherwise, Mr. Rockwell warns, you may pass in "Recruitment" and then find you failed in "Employee Turnover."

### Someone stealing you blind?

There's a good chance. And usually it's not the stick-up man nor the occasional crooked bookkeeper who's the culprit. Employees' dishonesty and thefts cost business \$2 billion a year, Quinn Tamm, executive director, International Association of Police Chiefs, estimates. Why? Because, he finds:

"In the minds of most workers, the purloining of a paper clip, a pen, an ashtray, a reference book or a

typewriter are all one and the same."

To cut your losses, Mr. Quinn says:

- Take inventory—at irregular intervals—of all office machines and supplies.
- Make spot checks of petty cash and stamp drawers.
- Record serial numbers of all office machines.
- Rotate plant and office guards to thwart collusion.
- Change locks and safe combinations periodically.

### How to write a résumé

Job hunting, or job hopping?

Executives often are. As management becomes more professional, managers become more mobile.

One useful selling tool can be the personal résumé. But here's a hint. Prospective employers like 'em short and sweet.

A survey of personnel directors at 100 top corporations shows that six out of 10 prefer a one-page summary that can be read at a glance. Items of highest interest are applicant's:

1. Education and training.
2. Personal objectives.
3. Work experience.

Personnel men give lesser priority to military service, salary required, location preferred, family background, health, social interests. And for detailed information, surveyed corporations rely on the firm's application form.

But résumés alone won't sell the applicant, study for Western Michigan University by Wayne J. Foreman indicates.

Most personnel directors give greatest weight to face-to-face interviews, when evaluating job-seekers.

### Long distance dialing made easy

Want to call Armonk Village, N.Y.? Simple. The area code's 914.

How about East Fowl River, Ala.? It's 205. Or Sag Bridge, Ill.? Zoar, Mass.?

You might have trouble finding these area codes in your local directory. Usually, it lists only bigger cities.

If you're a heavy business user of long distance lines, your local phone company can probably supply you with a directory that covers all these towns.

The Bell System has one that lists more than 40,000 cities, towns and villages from Abanda, Ala. to Yoder, Wyo.



The new world's heavywork champion.



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Beneath its uncluttered keyboard, the Electrosumma 23 is the world's fastest adding machine. Its price, \$295, is deflationary. Its ca-

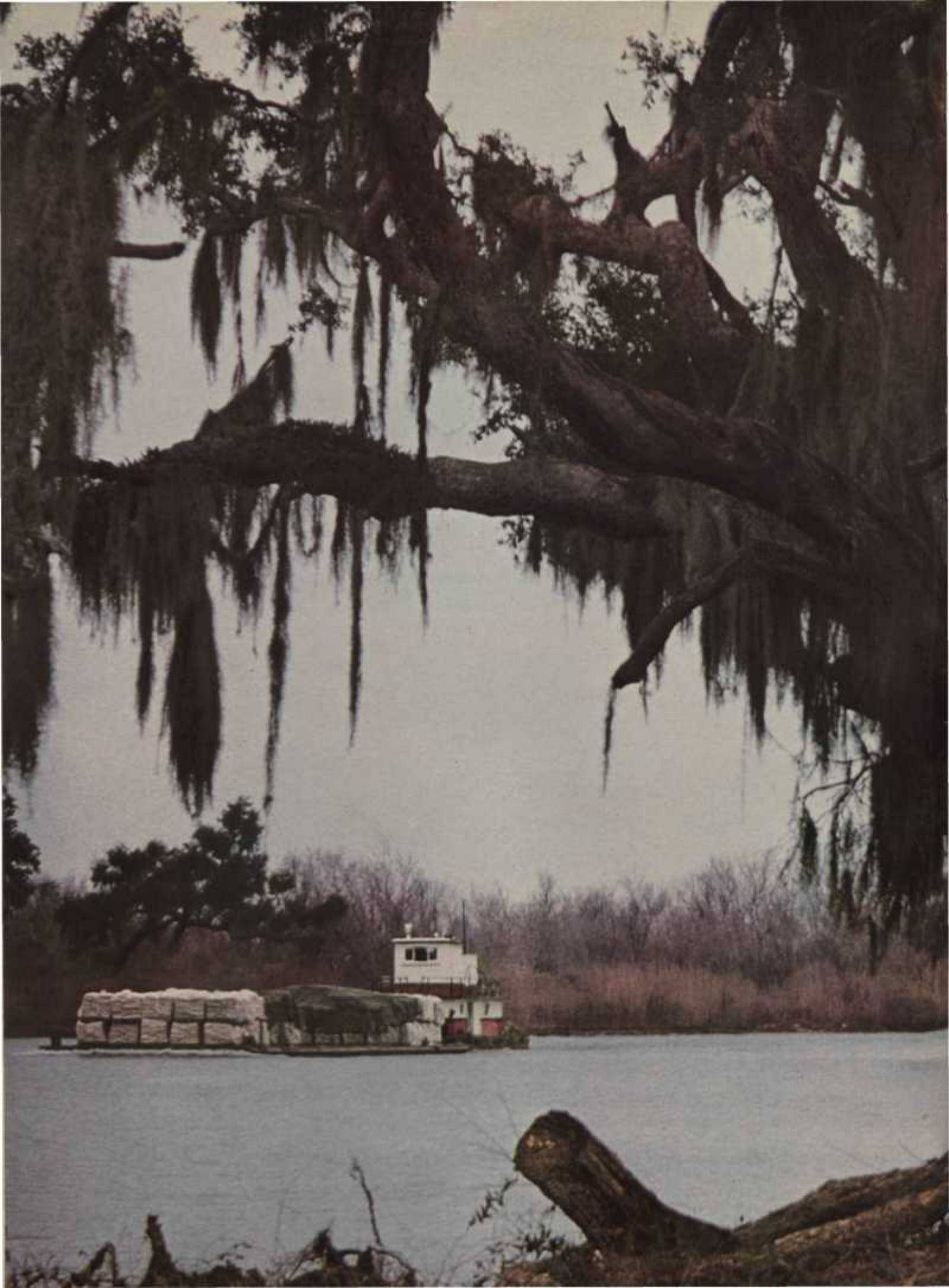
capacity, just a penny short of a hundred billion dollars, is convenient for multiplication by step-over addition. And its hand rest is a blessing toward the end of the day.

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This he can do only by taking the character measure of the borrower, and working cooperatively with everybody involved while remembering always that the money he's asked to lend belongs, not to him, but to all the people in the community who are his customer-depositors.

Sometimes the loan isn't made. When this happens the community may benefit as much as it does from a loan that goes through.

The paradox is easy. It simply says that a bad bank loan can hurt a community as much as a good bank loan can help it. But there's a lot more to banking than just yes-or-no financing.

There's the advice and counsel that a banker can give the people he knows and serves. There are the extra resources he can call upon from his correspondent bank. There are personal services and community services and services to merchants.

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# How Lyndon baffles the Lyndonologists

BY PETER LISAGOR

A long-time authority on Lyndon B. Johnson as a Senator, Vice President and President, in an attempt to explain his mounting difficulties, recently observed:

"The President is a man with the greatest power of concentration I've ever seen. It's his strength—and his weakness. He tends to fasten on a problem, almost to the exclusion of everything else, until he has it licked. This is especially true of a thorny one like Viet Nam. Soon, nothing else matters very much. It's the way he operated as Senate majority leader, and it's the way he works in the White House.

"Unfortunately, a President can't be a one-problem man; his job won't let him. He's got to have a list of carefully worked-out priorities, and he must keep gnawing at them constantly. Yet, for Lyndon, it's just not his way—until he finds a solution to Viet Nam, other matters are apt to slide."

• • •

If the diagnosis is reasonably accurate, it may help to account for some of Mr. Johnson's troubles. For a sense of slide permeates the Great Society. Old enthusiasms have begun to languish, and the energy machine that once pumped adrenalin from the White House to every corner of the Administration appears sluggish and worn. This may be a temporary condition, for LBJ has a resiliency his political enemies have learned to respect. But it is nonetheless real at the moment, and it undoubtedly vexes a man of LBJ's temperament.

Not all Presidents have tried to be all things to all people. Some have managed to cushion the blows of an outrageous fortune with a philosophical awareness that universal approval is reserved for saints alone. As a consensus man, however, LBJ would like to please the whole citizenry. If he can't have the public's support and affection, he would at least like its sympathy. But even sympathy is grudgingly dispensed in Mr. Johnson's case because he is a strong, assertive, action-oriented, often dour and dyspeptic man who

elicits admiration but few of the more gentle emotions. Thus his present plight is understandably bitter.

His much vaunted wizardry that turned the Eighty-ninth Congress into a legislative dynamo of sorts has failed so far to rub off on the Ninetieth Congress, which itself seems largely preoccupied with the vagaries and vicissitudes of the Vietnamese war.

The President put a brake on his poverty program and other domestic projects he fancies, such as the "model cities" program, because with a war costing



*The war in Viet Nam seems to absorb more and more of President Johnson's energy, time and concentration.*

roughly \$2 billion a month, he knew the Ninetieth Congress would be in no mood to plow new ground or finance too much building on old sites. He also backed away temporarily from his proposal to merge the Commerce and Labor Departments, finding no groundswell of support anywhere for the homogenized new Cabinet post except perhaps among students of public administration. His Congressional troops had unexpected trouble obtaining Senate approval of the consular treaty with the Russians, and they shudder at the obstacles ahead for the East-West Trade Bill, legislation believed by officials to be essential to the policy of promoting among the former

*Mr. Lisagor is the White House correspondent for The Chicago Daily News.*



## TRENDS: WASHINGTON MOOD

satellite countries of eastern Europe a greater independence from Soviet influence.

Altogether, the President's program has been met with a singular indifference. This is not wholly due to the increase in the Republican opposition, for the lack of fervor has been most conspicuous in the President's own party, whose members seem to be unable to summon the vigor to go forward on the domestic front after their prodigious labors in the Eighty-ninth Congress.

Mr. Johnson has had little time to shepherd his program personally through the booby traps of Congress, even if he had the mental and spiritual impetus. His Congressional receptions at the White House earlier this year, when the men gathered for briefings and the wives went upstairs with Mrs. Johnson, were devoted largely to the Vietnamese war and foreign affairs, notably the problem of whether to build an antiballistic missile system or to try to talk the Russians out of a full deployment of their system in the Soviet Union. Although the President's economic advisers spoke to the groups, they rarely got any questions. The Congressmen wanted to hear Secretaries of State and Defense Dean Rusk and Robert S. McNamara.

If Congress has rated high among LBJ's priorities in the past, the Democratic Party has lurked at the bottom of the list, both before and since Viet Nam became so overwhelming in its claim on the President's attention. Judging from the comments of some national committeemen who come to Washington on occasional business, the White House indulges them, the President rarely sees them, and despite some recent additions to its staff, the National Committee is estranged and ineffectual.

The simple fact is that the President distrusts the National Committee and remembers with distaste his battles with the late Chairman Paul Butler when, as Senate majority leader, he wanted to make Democratic Party policy in Congress and elsewhere and to have some control over the fund-raising processes engaged in by the campaign committees of the Senate and the House.

As a consequence, the President relies upon his appointments secretary, Marvin Watson, to ride herd upon the Committee. Watson shares the President's suspicions and secretiveness, and often spends his time with visiting politicians warning them not to talk to the press. He threatened one veteran Democrat, who numbers several newspapermen among his friends, that if he were caught leaking the contents of his conversation with Watson to the press, he would be ostracized thereafter. "And the fact is that there wasn't a printable item in anything Watson told me," the politician later told a friend.

The President's guerrilla war with the press continues unabated. It is one of the phenomena of the Johnson Administration, and just about the time that it appears the President has given up on the

press, he springs back into action like a distraught lover, wooing or damning, as the spirit moves him. Somewhere deep in him Mr. Johnson figures the press generally is bent on harming him, when in reality many newsmen greatly admire him and his works, though they refuse to abandon their objectivity about the man and his idiosyncratic behavior.

The President has managed to inspire a deep loyalty among his personal staff, but he has had trouble keeping men willing to hide their talents under a bushel. The departure of Bill D. Moyers, handyman, factotum, press secretary, has saddened some Administration officials who were accustomed to getting quick answers to minor problems from the President through Moyers' intervention. "It's hard to know which White House aide to see if you want to take a short vacation," complained one official recently. Mr. Johnson is obviously satisfied with the working of his staff, and despite its anonymity, it is by all accounts hard-working, able and effective. How sensitive it is to the variable political winds that blow about Washington, to the manifold grievances and irritations that develop and ought to be conveyed to the President, is questionable, however, and that may need remedying as 1968 approaches.

Any status report on the President must in prudence take into account the fact that Lyndon Johnson loves to confound the Lyndonologists, that sturdy band that busies itself analyzing and forecasting his actions.

When he is believed to have accepted silence and withdrawal as the best course, he comes storming out of isolation with surprise junkets abroad, unexpected appointments, news conferences calculated to contradict prevailing theories about the Presidency. He intrigues both his supporters and critics, and just about everybody in Washington tries to capture and define the man on too small a canvas.

Even foreign observers take frequent cracks at explaining him, and the latest brave analysis comes from *The Economist*, which lays Mr. Johnson's present troubles to the fact that he is "the last frontiersman who will sit in the White House, the last real Westerner, born of the old West and the old South."

The London journal insists the United States has changed in that it has "left the frontier behind. It has bred a different kind of people. If there ever was such a thing as a log-cabin President, Mr. Johnson is the last of them." Behind the decline in the President's popularity and the unrelenting criticism of his conduct of the war, *The Economist* claims, lies a change in the character of American society. "The Americans have become an urban, middle-class people whose universities turn out huge numbers of bouncy young intellectuals and whose industry depends upon a stunningly sophisticated technology."

But secretive, roughhewn, or whatever, Lyndon Johnson is, as *The Economist* agrees, "the most resourceful political strategist of his generation," a fact that his critics always remember and his opponents would do well not to forget.



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The Workhorse tire gives you a choice of two tread designs. Extra-traction design for on and off-the-road. Rib-type for on-highway work.

## GOOD YEAR



## Let's understand the French

BY FELIX MORLEY

It is rightly said that television has brought the world into the American home. More graphically than any newspaper account the domestic screen makes us observers of beatniks in Britain, of famine in India, of battles in Viet Nam. Such global coverage, already brought to a high degree of technical perfection, emphasizes the educational potential of this medium.

But this potential will always be limited by the inherent inadequacies of purely visual presentation. To be conveyed in a picture the subject matter must necessarily be picturesque. Anything with indeterminate outline cannot be caught by the camera. And even the most skillful commentator lacks time, if not talent, to explore the implications of events that flow like running water across the surface of the viewer's mind.

• • •

The deficiency of photographic reporting was well revealed when the French, on two successive Sundays this spring, elected their new National Assembly. The programs gave due attention to the campaigning of President de Gaulle, whose term of office does not expire until 1973. There were views of his principal critics and of the orderly voting, followed by summaries of the results.

These showed de Gaulle's parliamentary support cut by 40 seats, leaving the old general with a majority of exactly one in the now reconstituted Chamber. Since de Gaulle has been sharply critical of the United States, and since this election seemed to repudiate his policies, there was a general American satisfaction with the outcome. TV certainly did nothing to qualify this, and newspaper editorials not much more.

But when the circumscribed power of the French legislature is understood, and when the returns from this election are analyzed as is the custom in our own voting, a sharp modification of this initial reaction becomes necessary. There is, unfortunately, no reason to think that French public opinion is becom-

ing less antagonistic to our foreign policy. One disturbing item was the report, printed in *The New York Times*, that: "Areas near American bases that are being closed voted heavily Gaullist." Although some 19,000 Frenchmen lost employment through the dismantling of these depots, they made no significant

PHOTO: BLACK STAR



French voters elected communists to four out of every five seats de Gaulle's party lost in the recent election.

protest at the polls against de Gaulle's elimination of American military aid.

"In their hearts," commented one unidentified member of our Paris Embassy, "most Frenchmen approve of what he did."

Of greater significance is the political affiliation of the deputies who now occupy the 40 seats that de Gaulle lost in this election. Four fifths of these replacements are Communists, which party has increased its representation in the 486-member Assembly from 41 to 73. The more moderate Socialist bloc, which nevertheless works closely with the Communists, gained 25 seats to give it a present total of 116. Thus, of the total non-Gaullist representation of 242 members, all but 53 are pronouncedly left wing.

It is said that this swing towards Marxism was unduly magnified by the two-stage election. In the first voting only candidates with a clear majority are returned. In other constituencies a runoff between the two leaders is held a week later and this time there

*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*



## TRENDS: STATE OF THE NATION

was agreement that all groups opposed to de Gaulle would unite against the candidate pledged to him. Thus many non-Communists may have voted for leaders of that party.

This, however, does not alter the cold fact that the present French legislature is composed of 244 Gaullists, 189 Marxists and only 53 moderates. The political corollary of this division is that the left wing, often more critical of the United States than is de Gaulle himself, is now again a dominant force in France.

The effect of this parliamentary setup on current issues is becoming apparent. Since the French election there has been not less but more criticism of American policies that are disliked both by de Gaulle and by the leftist coalition that is in nominal opposition to him. This fusion of French antagonism to the United States is operating in several areas.

Most apparent is the undermining of the alliance against Communist aggression in which France was a full participant when NATO was established in 1949. The French government is now only nominally a member of NATO and there is not the slightest chance that the new National Assembly will act to restore the former partnership.

It is, on the contrary, accepting termination of even nominal French cooperation with the Southeast Asia Treaty Organization, set up in 1954 as an Asiatic counterpart to NATO. This is more clearly a rebuff to the United States than is the French withdrawal from NATO, since the SEATO commitment is regarded by our State Department as a justification for the intervention in Viet Nam.

The French objection to this war in their former colony is supplemented by an anti-American attitude in efforts to control the spread of nuclear weapons. De Gaulle has further made clear that American capital investment is suspect in France and that he favors return to gold, at the expense of the dollar, as the medium of international exchange. During the protracted "Kennedy Round" of tariff negotiations at Geneva, it is the French who have consistently favored protective barriers against American agricultural exports to the Common Market area.

In all these matters, whether military, monetary or commercial, de Gaulle is assured of support from the now powerful leftist representation in the French parliament. Indeed the Communist bloc there can be expected to urge him to go further by substituting an avowed Franco-Russian entente for the now badly fractured understanding between Paris and Washington.

Yet the set-up does not permit leftist control. Socialists and Communists joined to support a radical for the powerful post of Assembly President. The moderate anti-Gaullist deputies then swung over to elect his nominee, 261 to 214.

It is a belated recognition of this changed political climate that sent Vice President Humphrey off on a

hectic European tour last month. This was clearly designed to show that the President's preoccupation with Viet Nam does not mean that the Administration has completely forgotten the Old World. Richard Nixon, recently returned from there, thinks it would have been better if Mr. Johnson had taken this problem of alienation into his own hands. And this although Nixon has never underrated the importance of Number 2.

President de Gaulle can count on the backing of French leftists in every move that aligns his country with Russia. Their support is far less certain if he continues to oppose British membership in the Common Market.

That is currently the major objective of British foreign policy, but Prime Minister Wilson is not approaching Paris as a suppliant. In 1963 de Gaulle vetoed a British application because he considered the then Conservative government in London "non-European" in its outlook. British ties with the one-time colonies, and the United States, continue to be important. Commercially, however, admission to the European Customs Union has become more so.

The Socialist bloc in the new French legislature favors the formal application which the British Labor government has not yet made. Support from the other Common Market members—West Germany, Italy, Belgium, Holland and Luxembourg—is certain. President de Gaulle was sharply criticized at home when he rejected British membership four years ago. With his present paper-thin parliamentary majority he is less likely to risk another storm of domestic protest.


Moreover, the situation offers the old general, at 76, clear opportunity to round off a remarkable career. It has been his oft-stated ambition to build a European "Third Force," subservient neither to the United States nor Russia. Inclusion of a cooperative Britain in the nucleus of union already operative would now be a stroke of statesmanship that de Gaulle is unlikely to fumble.

The decision is coming up this summer and it is one in which the United States obviously has vital interest—much more so, many think, than in the eventual composition of the Vietnamese government. The prospect is for a federated and revitalized Europe, living in peaceful co-existence with a Russia that seems content, and even anxious, to go along with that development. If so there is an opening towards international stability and prosperity which would more than outweigh any frenzy in retarded China.

This potentially hopeful vision is disclosed as the result of a French election with overtones that could not possibly be caught by photography, whether plain or colored. What will actually develop depends on the skill, patience and good judgment shown in the months ahead by leadership in many countries, not least our own.

But the immediate reminder for educators is that we cannot form reliable judgment on intricate problems from the inevitably superficial information that modern technology now makes so readily available. Children must still be trained as individuals, to study, to reflect and to discriminate.





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## Plymouth



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# Of grasshoppers, Ho and Bobby

BY ALDEN H. SYPHER

The Air Force is arming its grasshoppers in Viet Nam.

This newest escalation of American firepower is bound to bring another cruel crossfire of criticism aimed at President Johnson by Americans who consider him far too warlike in his conduct of the war.

The college professors and school teachers who paid \$16,000 for newspaper advertising space to spread a message very similar to one being distributed as a free handout daily in Moscow, Hanoi and Peking will have to dig again into their meager pay for message money.

The bearded ones who so much prefer to take their trips on LSD instead of troop transports will have another cause for student strikes.

The preachers who have adopted the Hanoi propaganda line that, since the communists are not bombing New York, we should not bomb Hanoi, will have to get out their caliber calipers to measure this new imbalance.

The New York editors and book reviewers who walked out on Vice President Hubert Humphrey simply because he is associated with the commander in chief will have to scan their mail for more invitations to meetings where they may demonstrate their judgment, convictions and manners.

No doubt other groups inspired by such leadership will advise the world in general, but LBJ in particular, to hang up the gloves and learn to live on love.

• • •

But the biggest hassle, no doubt, will come on the political front.

The Air Force pilots who fly low and slow in the little, and until now unarmed, grasshopper planes looking for booby traps, guerilla bands and troop buildups are being given guns.

Little guns, of course. Mini-guns. But two of them, and also two engines. The second engine won't add

much to the plane's performance. But it will help haul the armament and also might bring back the pilot in case a chance shot from the ground knocks out one engine. In such cases, up to now, the pilots haven't been coming back.

On the other hand, this adds to the often condemned overwhelming superiority of American force deployed in the aggression against the Viet Cong.

It also takes a lot of the sport out of reconnaissance. To be effective these flights must be low, within the range of small arms in communist hands. Often the pilot finds what he is looking for by sighting little red flashes and puffs of smoke that disclose enemy sharpshooters firing at him.

Under older procedures he would radio for fighter-bombers, then fly around within range of ground fire while waiting to show them what he'd found. If the jets were not otherwise occupied they would come streaking in to blast the enemy, if the enemy still was there at the time of arrival.

Now all that will change. The grasshopper pilot will keep the enemy occupied until the jets arrive. He may fire his mini-bullets at them, or even some of his 14 mini-rockets.

• • •

This may be quite helpful to a number of Americans in Viet Nam, but just how much it helps Americans in the United States will depend on their own ambitions, inhibitions or lack of them, eagerness, initiative and imagination.

No doubt it will be used in full by Sen. Robert F. Kennedy, of the Massachusetts Kennedys, who somehow became a political power in New York and has gone national on a platform of peace, plus more income for farmers and city people.

The Senator entered the Presidential race in a speech establishing a position quite opposite the policies of the President, and commander in chief of the armed forces, on how to end the war.

The Kennedy posture is that we should stop bombing North Viet Nam. While this position will

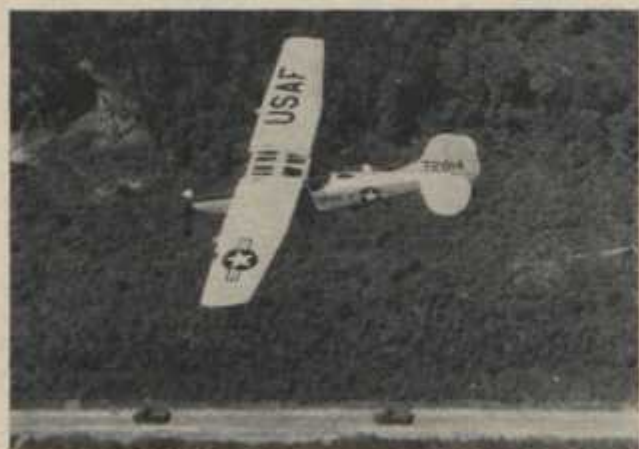
*Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.*



## TRENDS: RIGHT OR WRONG

bring him no endorsement from the White House, neither will it bring condemnation from Moscow, whether he wants it or not, because this is precisely Moscow's position. Also that of Peking and Hanoi.

It will gather support among those who never have known freedom, and also among wishful people who value it highly, but have forgotten the formula for maintaining it.



*Escalation takes on new dimension as unarmed U. S. observation planes are now fitted out with mini-guns*

Bobby's main point, of course, is that if we stop bombing the north, Ho Chi Minh might call to order a meeting to work out terms for ending the war. We could attend it and, presumably, talk.

• • •

Why the communist leader would do this has not been made clear. Perhaps in joy at having knocked out our Air Force without even having one of his own. It does seem logical to assume that in such a case he would be curious to see what else we had to offer.

The only other expectation seems to be that somehow the terror of no bombing would drive Ho to the conference table.

But this is a new technique, not yet of proved value or effectiveness.

Bobby's pitch was hardly of the kind or quality that catapults candidates into the White House. His principal primary opponent, the President, was able to reply that he'd tried it a number of times, and it doesn't work.

Then the whole thing fell into undignified quibbling along the lines of "You didn't try it with my new detail," and "We did too."

• • •

So if ever a candidate needed a new angle, Bobby does.

He can demand that we disarm the grasshoppers.

In that event the same angle would be used by Arthur M. Schlesinger, Jr., who served in the White

House when it was Camelot, but left not long after the precipitous departure of the French chef. There are those who believe he dreams of a triumphant return, but only after a most thorough housecleaning, including the disposal of any leftover tamales.

Mr. Schlesinger is a historian whose political thinking seems nearly perfectly coordinated with Bobby's. He also makes history, most recently by announcing that the Johnson Administration "does not wish to negotiate now" to end the war in Viet Nam.

"Why else, unless it wishes to avoid negotiation now, would the Administration have hardened its terms, demanding today from Hanoi what it did not demand a year ago?" inquired Mr. Schlesinger.

The question seems self-answering. It raises the point that last year President Johnson offered to stop bombing as an inducement to negotiate peace, but in his similar offers since has said that in return for this advantage the communists ought also to cut back something during the table thumping.

A man who can make history could do quite a bit about an Administration that arms its grasshoppers.

So if Bobby grasps this opportunity, Mr. Schlesinger may be expected to follow up with some more history, as he did after the peace-by-not-bombing speech.

• • •

As expected, the junior member of the Kennedy political team is another supporter of Big Brother Bobby in the current campaign.

Sen. Edward M. Kennedy told a meeting of the Massachusetts chapter of the Americans for Democratic Action that prosecuting the war on its present course could cause the Democratic Party heavy losses at the polls and possibly result in the ouster of President Johnson.

He didn't say who would take LBJ's place, but no one felt it necessary to ask.

Of course this threat, or bid, didn't reach many people. Ted doesn't carry the weight of Bobby, or Mr. Schlesinger, and his remarks didn't get equal time or space.

They were given wider circulation later by Sen. Jacob K. Javits of New York, a Republican who apparently didn't quite understand what Ted meant.

Bobby got good press support for his campaign in Nhan Dan, a North Vietnamese paper, and on its transmission lines to the rest of Asia.

Nhan Dan concluded that Bobby's speech has placed the U. S. government in an awkward and embarrassing position.

"In the face of wide and strong protests by public opinion, the United States ruling circles have shown great embarrassment," said Nhan Dan.

From the Hanoi point of view, why think about ending a war anywhere short of total victory when you already have the enemy government in an awkward and embarrassing position? That's a fairly long step toward winning it.

Getting, and keeping, the other side off balance is an effective thing to do in any kind of a fight.

Even those on the ruling-class waiting list know that.





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# A VIET NAM IN THE AMERICAS?

Danger boils up in Guatemala as U.S. diplomats stand watch

GUATEMALA CITY, GUATEMALA—In the mountains above this lovely land are 400 communist guerillas—taking direction from Fidel Castro and Mao Tse-tung.

In the cities below the Sierra de las Minas are at least 400 far rightists who call themselves The White Hand and who take the law into their own hands.

Caught between these extremists are the people of Guatemala and half a billion dollars worth of American business investment.

The situation threatens U. S. property and lives. But the danger may be even much larger.

Here, in fact, another Viet Nam may be in the making.

Parallels between Guatemala today and Viet Nam a few years ago pile up.

Both are plagued with extremists of the far right and left.

Guatemala has a disciplined, clandestine communist party which supports full-time guerillas as well as several hundred part-time terrorists. Guatemalan communists get backing from Red Cuba. Viet Cong guerillas and terrorists get their backing from Red North Viet Nam.

Both Guatemala and Viet Nam are in protracted official states of alarm.

In both countries, many peasants, poor people in

---

ASSOCIATE EDITOR STERLING G. SLAPPEY, who wrote this article, has been on a 15,000-mile study of economic and political developments in Latin America.

*Guatemala is a land of the very, very poor and the very, very rich. There is little in between. Tiny candle sellers outside churches must beg to eat.*





**A VIET NAM IN THE AMERICAS?** *continued*

*A communist youth leader shouts to crowds in Guatemala City, "Yankees are the cause of our poverty." Guatemala was communist until 1954 when a CIA-backed invasion won.*

PHOTO: PUBLISHERS SYNDICATE





the cities as well as intellectuals protect the communists.

The Guatemalan Army, until recently, held to the barracks as the South Vietnamese once held to fortified places.

There is collusion between rightist extremists and the armies.

The United States must egg both national armies into action.

The United States has encouraged the overthrow of governments in both countries.

As extremists intensified their infighting, in each case the United States increased its involvement. Already the United States supplies arms, planes, materiel, military training and "advisers" to the Guatemalan Army, though this certainly is not widely known.

The United States is committed here, just as in Southeast Asia, to rolling back communism. Bickering among American backers has retarded progress just as it has in Asia. Graft and corruption have siphoned off U. S. aid here, just as they do there; the people remain desperately poor.

In each place the United States is faced with problems of a culture not its own—French in Viet Nam, Spanish here. Religions are deeply involved in each place.

"The situation here is damned serious," said a sen-

ior western diplomat who asked not to be quoted by name while commenting on internal political matters of another nation.

"The situation ebbs and flows. Sometimes it is more serious than others. Just now my government is quite worried because there could be increased activity by Red guerillas or the Army could re-establish a military dictatorship.

"Democratic institutions would suffer with each eventuality.

"The White Hand is a Ku Klux Klan type of group, while communists are terrorists of the worst sort. There is latent communist sentiment in the government and two ministries are certainly under heavy leftist pressure. At the same time there is the traditional Guatemalan urge to swing far right.

"It is all very confusing and dangerous."

If Guatemala can be saved from full fratricidal warfare and the country does not become a fief of right or left, it will be due to a combination of factors:

- U. S. military and economic guidance.
- Adroitness of the sorely pressed Guatemalan government.
- Resoluteness of the Guatemalan people.
- Perseverance of American businesses which did not run away when things became rough.

There have been reasons (continued on page 112)

*Extremists of the "left" and "right." Cesar Montes, communist guerilla commander prepares his men for a raid. A crudely drawn white hand is the sign of the far rightist band which makes its own laws.*



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PHOTO: PUBLISHED SYNDICATE





# THE ELEPHANT GETS GLAMOR

Freshmen lawmakers are giving the Grand Old Party a brand new image

William A. Steiger



George Bush was running a \$20 million company when he chucked it to see if he could win a \$30,000 a year job as a Congressman.

Sweeping a hand through his tousled hair, he put it this way:

"I wanted to see if I could make it and help find better answers to our problems than the same old tired, rigid ones."

Mr. Bush made it. He won his Texas election to the House of Representatives and became what one Democratic Senator ruefully admits is a "new breed of cat" in the Republican lineup.

Rep. Howard Pollock of Alaska, one of two members on the House Republican Policy Committee representing the freshman class of the Ninetieth Congress, says "this new breed represents a tough, competent segment of our nation's leadership . . . and intends to work together for reasonable, workable solutions."

These are brave words and previous groups of first-termers have echoed them, then settled into back-bench obscurity to wait until growing seniority gave them a voice and authority in molding legislation.

What makes the "90th Club" of freshman G.O.P. Representatives different is their numbers (59, about one third of the total Republican House membership) and a no-nonsense consensus they were swept into office on a Republican resurgence to be "seen, heard and effective."

"We're not here to shoot (*continued on page 80*)"

ASSOCIATE EDITOR WILBUR MARTIN, who wrote this article, specializes in political affairs, particularly the issues and personalities of Capitol Hill.





PHOTOS: D. BRACKEN—BLADE STAR; P. CONNELLEY—PIA

*The bright, young faces in the big comeback of Republicans in Congress are a delight to G.O.P. leaders like Sen. Everett M. Dirksen, shown at left with George Bush of Texas. These newcomers have brought to the party added bounce, typified by Reps. William Steiger, Jerry Pettis, Donald Riegle, Mrs. Margaret Heckler and Olympic star Robert Mathias.*

*Jerry Pettis*

*Donald Riegle and Mrs. Margaret Heckler*

*Robert Mathias*









# SERVING THE PEOPLE'S INTEREST

An interview with Allan Shivers, newly elected President of the Chamber of Commerce of the United States, and a former Governor of Texas

Winning elections is a habit for Allan Shivers.

In college, he was elected to practically every student leadership post. Then he became the youngest man ever elected to the Texas State Senate. He was twice elected Lieutenant Governor, and three times Governor of Texas—a position he held longer than any other man.

Now Allan Shivers has been elected President of the Chamber of Commerce of the United States of America.

The handsome, six-foot-two former Governor promises to bring to this office the same intense personal interest he has always given his activities, whether in government or business.

"If you are going to take part, you ought to be active," he told a team of NATION'S BUSINESS editors in his Austin, Texas, office.

This modern office, decorated with striking engravings of western scenes, is the center of Governor Shivers' far-reaching business activities. But he is often far away—traveling from coast to coast to confer with other executives with whom he shares the decision-making power for more than a dozen corporations.

One day, he's presiding as chairman of the board of National Bankers Life Insurance Co., at Dallas. Another day, he's in New York for a meeting of the board of Celanese Corporation of America, or in Los Angeles to confer with other executives of Global Marine, Inc., an off-shore drilling and mining corporation, of which he is one of the major owners and a director. Or perhaps it's Denver, where he has an interest in Frontier Airlines; or Houston, where he's on the boards of several banks.

"It takes a pretty full day," he admits with a smile.

Yet he has still found time to serve as a director of the National Chamber since 1960, to head two important Chamber committees, and to be its treasurer for the past year. He's also a member of the boards of the American Petroleum Institute and the Texas Good Roads Association.

Back home, the Governor operates a sizable vegetable-farming and citrus-growing spread in the Rio Grande Valley, as well as a cattle operation near Woodville, his old home town, in the East Texas piney woods. (continued on page 63)



## High and wild

# Big labor's pitch at



The AFL-CIO hammered out its wage negotiation manifesto at its Miami Beach Executive Council parley, headed up by President George Meany, who is flanked by Bill Schnitzler, secretary-treasurer, and, at right, by Al Barkan, the boss of the union political machine.

Labor unions are turning on the propaganda line as never before. They shout it out in union halls, headline it in their newspapers and defend it as gospel at the bargaining table.

This year's line is a mix of statistical trickery and sanctimonious phraseology designed to justify new union demands for still bigger wages.

Officially called the "AFL-CIO Policy Statement on Wage Negotiations," it is the backbone of union arguments being used in renegotiating some 700 major and countless smaller labor contracts this year.

Expiring contracts cover more than 3.1 million employees. That's three times last year's number.

Added to this are tens of thousands of employees covered by contracts that can be renegotiated at any time.

Nearly all unions are using the policy statement to back up demands for wage hikes ranging from eight to 33 per cent. They are heartened by indications that the Administration, with an eye on next year's elections, has decided to draw a bead on prices in its inflation fight, while leaving wages mostly alone.

AFL-CIO economists and statisticians spent thousands of dollars, siphoned from union dues, to prepare and broadcast its wage manifesto. To the unwary, this manifesto appears reasonable and plausible.

You, as an employer, may be called upon to answer its contentions in public, at employee meetings or at the bargaining table. To aid you in this, NATION'S BUSINESS here dissects the union manifesto, setting the record straight point by point.

Union negotiators, of course, will dredge up many more arguments geared to your specific situation. But expect them all to use the AFL-CIO's propaganda to create the general climate for pressing their demands.

**The AFL-CIO says:** *"American workers need substantial increases in the buying power of wages and fringe benefits to provide them with a more equitable share of the fruits of economic progress. An advance in real earnings is also needed for the adequate expansion of consumer markets, the base of the American economy."*

**The truth is:** Employee compensation—wages, salaries and fringe benefits—accounted for about half of the economic pie in 1900. But since then, employee compensation has risen steadily until it now nears three quarters of the pie.

Last year, employee compensation was a staggering \$433 billion, \$40.5 billion more than in 1965. It accounted for four fifths of the total increase in the \$610-billion national income.

If three fourths of the nation's income isn't an "equitable share," what is?

**The AFL-CIO says:** *"Last year, much of the gains in wages and fringe benefits were washed out by a 2.9 per cent rise in living costs. The buying power of the average factory worker's weekly take-home pay in 1966 was actually slightly less than it had been in 1965 and for miners and construction workers it was hardly any greater. Gains in buying power, during the previous five years, were extremely modest,*



# the bargaining table

*while business profits skyrocketed and dividend payments to shareholders rose sharply."*

**The truth is:** Disposable personal income—money a worker has left after taxes and other things he is required to pay for—jumped 7.7 per cent last year. This money's buying power rose 4.6 per cent.

Corporate profits, which the AFL-CIO says "skyrocketed" last year, actually fell in acceleration by 2.1 per cent below the average acceleration for the period from 1961 to 1966. The dollar rise in profits and dividends over 1965 was much less than the rise in employee compensation.

**The AFL-CIO says:** *"Real compensation per hour for all employees in the private economy, including executives and supervisors, increased only 2.7 per cent a year in the six years from 1960 through 1966. But the real volume of production per hour in the entire private economy rose at a yearly rate of 3.5 per cent."*

**The truth is:** From 1960 through 1966, hourly compensation for all employees in the private economy increased an average of 4.6 per cent each year, far outstripping price increases.

From 1947 to 1966, compensation rose an average of 5.1 per cent a year, while output per hour averaged a yearly rise of less than 3.4 per cent.

The most recent yearly analysis shows the average hourly compensation climbed 6.5 per cent, while output per man-hour rose only 2.8 per cent.

**The AFL-CIO says:** *"The vast majority of wage and salary earners have not received a fair share of the benefits of the national economy's expansion. Moreover, the failure of workers' buying power to advance between 1965 and 1966 has already begun to undermine the needed growth of consumer markets."*

**The truth is:** Buying power of total disposable income did advance, according to the Council of Economic Advisers. It went up 6.0 per cent in 1965 and 4.6 per cent in 1966. Despite the population rise, average buying power for every man, woman and child rose, too, by 0.5 per cent in 1965 and 0.4 per cent in 1966. What the AFL-CIO means by "between 1965 and 1966," George Meany only knows.

**The AFL-CIO says:** *"The price level has been rising, in recent years, regardless of what happened to labor costs per unit of production. The price level advanced moderately, when unit labor costs were steady or declining, and it rose more sharply when unit labor costs increased."*

**The truth is:** Despite the costly Viet Nam War and expanded welfare programs, prices rose an average of only 1.7 per cent per year from 1960 through 1966. Hourly compensation in that time increased an average of 4.6 per cent a year, while average output per man-hour increased only 3.5 per cent.

Unit labor costs last year rose 4.7 per cent, the (continued on page 88)





# Open letter to Betty Furness

May 1, 1967

Miss Betty Furness  
Special Assistant to the President  
for Consumer Affairs  
White House  
Washington, D.C.

Dear Miss Furness:

We are pleased that you will be representing us, along with all the other consumers in America, as you assume your new office this month. We are happy, too, that the President picked someone who has had the opportunity to work for a business as you did when you were assuring television viewers that they could "be sure if it's Westinghouse."

As you know, Miss Furness, business appreciates the importance of the consumer, just as the President does. After all, consumer desires are the lifeblood of this competitive enterprise system of ours.

We think it's a system as exciting and wondrous as a beautiful lady.

Like our wives, who do so much of the buying in America, this private U. S. economy takes a lot of understanding, too.

It's an economy designed for the individual consumer and finely attuned to his needs and taste.

It's a perfect match for our political democracy. As we all know, nobody has to buy anything, or produce anything, he doesn't want to. In this country, a businessman can make a profit only if he's smart enough to figure out what, where, when and how consumers want to buy.

In countries where the government decides, with a sort of slam-of-the-first authority, what will be produced and distributed, of course, there is no freedom of choice, no profit incentive to direct what will be made and sold.

Most people appreciate how responsive American business is to the whims of consumers. But we've found, Miss Furness, that something which

many people are confused about is profits.

Everyone knows that profits are related to prices people pay for what they purchase. Certainly profits have to be high enough to reward the businessman for his investment, skill, drive, ingenuity and courage after he has paid all his other costs.

But opinion polls invariably show that consumers think business makes more profit than it really does. In fact, polls have shown that people believe businesses average about 20 per cent profit while they think about 10 per cent would be "fair." The truth is, profits are nowhere near as high as people think. In fact, wholesaling and retailing profits, for example, in 1965 have averaged only about 1.4 per cent of sales.

Seeing that figure, you may think: Well, that includes all the little corner grocers; the big chains must net more.

Certainly that's what the ladies must have thought who indignantly boycotted their supermarkets because of rising food prices. But glance at the following profits in 1965 for some of the big chains, as compiled by John Q. Jennings, an executive with The Singer Co., who is a close observer of the profit system.

A & P	1.0 per cent
Safeway	1.7
Kroger	1.2
Acme Markets	0.9
National Tea	1.0
Food Fair	0.8
Winn-Dixie	2.5
Jewel Tea	1.7
Grand Union	1.4
First National	
Stores	0.3
Colonial Stores	1.3
Allied Supermarkets	1.1



The marketplace isn't a battlefield, but a meeting-ground where business does its best to please that Very Important Person—the consumer—at the lowest possible cost to her

Food processors, too, are criticized by the uninformed for "excessive profits." But, again, look at their 1965 profit figures, the reward to business:

Swift	0.6 per cent
Armour	0.9
General Mills	3.6
National Dairy	3.5
Continental Baking	1.9

And some lost money.

Considering the fact that the government props up the prices of so many farm products, it's a wonder prices aren't higher than they are.

In some industries the risks are far greater than in those which produce such staples as food. Take the pharmaceutical industry which invests massively in research to wipe out diseases that once were the scourge of mankind.

J. Whitney Bunting, dean of the Graduate School of Business, University of Georgia, found in a special study of the drug industry, that only about one out of 6,000 compounds investigated results in a marketable medicine. This industry has to make a profit on the drugs it does sell to have money for such research. Even so, according to Dean Bunting, the average prescription price is only \$3.35.

Nobody wants to pay more than he has to for anything. Likewise, no businessman wants to overcharge—else a competitor might be able to take away his customers.

A businessman does have to charge more than his costs, naturally. And one of the major expenses is labor. Union demands and government policies such as minimum wages make his costs pile up.

Even so, prices have risen remarkably slowly for the consumer. Here are some of the consumer's costs and how they have crept up as

shown by the government's Consumer Price Index since the base period of 1957-59:

Food	14 per cent
Housing	13
Transportation	13
Apparel and upkeep	12
Recreation	17
Medical	30
All services	25
Fuel and utilities	9
House furnishings	down 1
Prescriptions	down 9

Business is proud to believe quality has usually gone up a lot faster than price.

Now compare these increases with the boost in wages and salaries over the same period: They're up 38 per cent.

Business, as a consumer of materials and equipment as well as an employer of labor, doesn't want to spend any more than it has to either. But the high wages and salaries it pays enable people to afford and enjoy the glories of our American standard of living.

Unfortunately, some professional consumer groups view the marketplace as a field of battle where consumers are pitted against business in a desperate clash of economic interests.

Fortunately, it just isn't so. What's so marvelously and efficiently self-serving about the American marketplace is that the more freedom and incentive business has, the more it produces and the more choice the consumer has.

Of that, Miss Furness, you can be sure.

Cordially yours,

*The Editors*



## WHAT YOUR PEOPLE SHOULD KNOW ABOUT:

**B**eing a businessman, you have forgotten more practical economics than some students of the subject know.

But many of your employees have only the foggiest idea of how this powerful, efficient private competitive enterprise system of ours works.

Aware of the need for enlightenment about the private business system, the Chamber of Commerce of the United States has developed a new study course to improve public understanding and appreciation of our system's unique functions and contributions.

The new course, "Understanding Economics," is a refinement of materials presented for the past dozen years in thousands of Chamber-sponsored economic discussion groups organized by business firms, trade associations, chambers of commerce and professional and civic groups all over the nation.

"Understanding Economics" includes a set of booklets and discussion group materials, which may be ordered from the National Chamber. The materials were prepared under the direction of Dr. Carl H. Madden, chief economist of the Chamber. This month, Nation's Business begins a series based on the Chamber's course, "Understanding Economics."

This series can give your employees a fresh and exciting insight into what makes your business and the American economy tick. And even though you may have forgotten more economics than some economists know, part of what you've forgotten could be recalled in a new light and with a new appreciation of why private enterprise is the most successful and just economic system ever devised.



# OUR BUSINESS SYSTEM

The American free enterprise economy provides more wealth for all than any other system on earth; here's Part I of a series on how the system works

We all talk and think economics more than we realize. How we earn our living, how we spend our income, the price of what we buy and what we would like to buy all are economic subjects. They occupy a big place in our family conversations and our personal plans every day.

Every thinking person in this country — businessman, housewife, employee, taxpayer, student, public official, educator, or whatever—should have a clear knowledge of the principles of economics, and of the amazingly productive American economic system on which our high standard of living depends.

To meet their needs, people work, applying different skills and creating different end products and services.

They make use of natural resources—land, forest, mineral wealth, water; human labor—physical and mental; and capital equipment—

tools and machines, simple and complicated.

They produce goods and services to satisfy their wants, either directly or by trade with others.

Yet no economy has been able to satisfy all the desires of its people. Human wants seem limitless. People can think of a nearly unlimited number of things they would like to have or do.

But the means of satisfying these wants are limited. At any one time there is only so much labor available; its skills are developed only in particular ways. There are never unlimited natural resources at hand to be used in every possible way. The same is true of capital. It cannot be had for the asking. It results from saving and investing.

## **The heart of economics**

What's more, a tool or a man-hour can be used in only one way at a time. It is used to create one

thing instead of another. So, we must choose the use and result we think most important. This is the heart of the economic problem: How best to use limited resources in ways that best satisfy unlimited human wants.

Each time we decide to produce one thing, we are by that fact choosing to give up something else that could have been produced with the same scarce resources in the same time.

How are such decisions made? In other words, how are values placed on economic goods? Who decides which goods are "worth" producing and how much they are "worth"?

The various economic systems answer these questions differently. Yet, all economic systems have some basic functions in common. Each system must determine:

1. What shall be produced.
2. How productive resources shall be organized and used. (cont'd)

Management skills, combined with capital and labor, produce the goods...





3. To whom, and in what proportions, the resulting output must be distributed.

The simplest economic systems correspond to a "subsistence" economy, where people mostly produce for their own use. The typical economic unit may be a tribe, a village community or an extended family group. Within this unit there may be some specialization of tasks, usually of a simple kind. This kind of economy trades and specializes less in proportion to its total production than any other kind of system.

In these characteristics, the subsistence economy appears almost completely the opposite of a modern market economy.

Modern studies of economic development raise a question of vital importance to the hundreds of millions of people living in some 100 underdeveloped nations of today's world. How can they achieve a breakthrough from a nearly static or subsistence economy into sustained economic growth? How can they attain the productivity and prosperity of the advanced Western economies?

Somewhere about the midpoint of the Eighteenth Century, while three nations—Britain, France and Holland—stood at the forefront of European economic development, Britain forged out in front of all its rivals.

The British example, with its evident success, generated successive waves of industrialization in western Europe and in the new American republic. While the full story of this development is too complex to be summarized, it is possible to identify briefly the most distinctive features of the modern industrial

economies which eventually grew out of this process—the free enterprise, market economies.

In the enterprise economy, the most fundamental idea is this: Action is voluntary. Producers must find customers who want their products. They must hire workers and find productive resources. The workers must seek employers. Suppliers of resources must seek productive users.

Nobody is commanded to do any of these things, however. Their action results from voluntary choice, in the face of impersonal pressures.

In this kind of economic system, there is no central organizing and planning of production—or of how production is to be distributed. It is based on the innumerable decisions and actions of many millions of people, exercising free choice.

What is the basic idea of the American economic system?

## **What market principle means**

The basic idea is called the market principle.

We can best illustrate this principle by thinking about a single business transaction. Mrs. Jones goes to a supermarket to buy groceries. At the bakery counter she sees several kinds of bread—at different prices. She chooses one and puts it in her cart. After making her other purchases, she goes to the check-out counter where a cashier totals her purchases and she pays for them.

The store manager didn't know Mrs. Jones would buy that loaf of bread. Neither did the bakery which sold the bread to the supermarket chain. Nor did the flour-milling firm which sold the flour to the bakery. The same is true of

others whose acts led up to Mrs. Jones' final purchase.

None of them knew who would buy the final product in the chain of transactions.

What did they know?

First of all, each businessman involved knew there was a "market" for his goods. He knew roughly what quantity he could sell. He knew there was a demand for what he had to sell. While he did not know who would buy his output, he knew there were buyers—and he had a pretty good estimate of the price at which they would be willing to buy.

But the whole chain of transactions was voluntary. Together they brought about an organization of actions which wound up with a new loaf of bread in Mrs. Jones' kitchen.

We call this organizing principle the "market system."

Buyers, like Mrs. Jones, purchase what they want at prices they are willing to pay. Sellers, like the supermarket, sell the kinds of goods they think buyers will want, at prices which reward them for their services as suppliers. In other words, the goods which suppliers bring to market are intended to match buyers' wants: Supply is created to meet demand.

The consumer, the buyer of end products, has a powerful voice in this system. Ultimately the consumer's power of choice—to buy or not to buy, and to choose between competing products—is decisive in guiding the system. We call this power of choice "consumer sovereignty." It means that the consumer is king. He gives the orders (demand) which ultimately confirm or reject the business decisions which brought the goods to market (supply).

His choices, reflected in the way he spends his income, help determine the "worth" (prices) of goods and services, and so guide production.

If consumers buy more cars, auto manufacturers will step up production. If buyers cut back purchases, production will likewise be cut back. Nothing will be produced very long that doesn't sell. So production of most-wanted items rises, and that of less-wanted items falls. Consumer dollars vote for some products, and against others.

But economic "votes" of consumers  
(continued on page 54)

which the American consumers want and need.

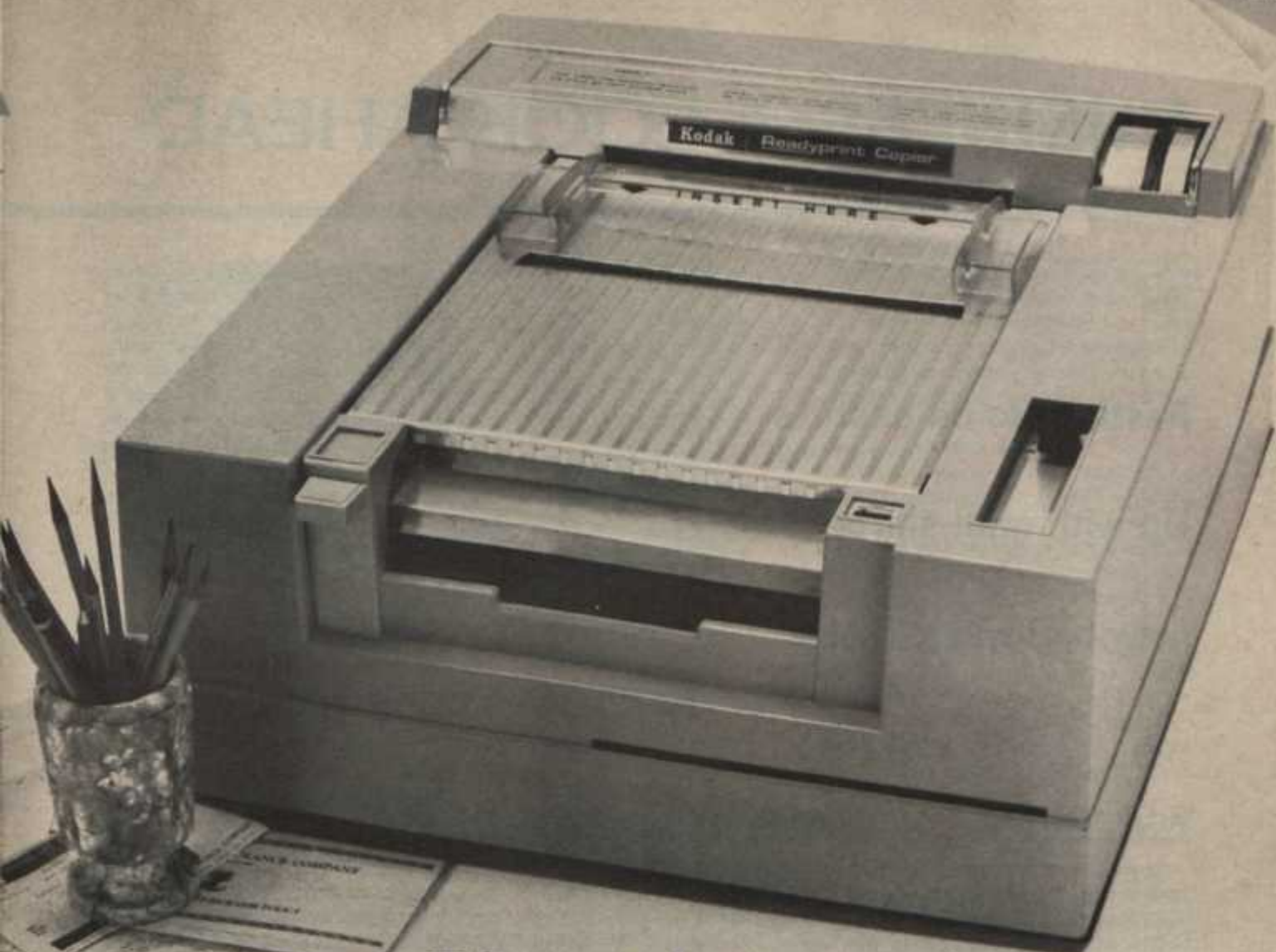




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# BUSINESS: A LOOK AHEAD

## Faster info on exports

*(Foreign Trade)*

## Up with mini-skirts

*(Marketing)*

## New highways in sky

*(Transportation)*

### AGRICULTURE

Agriculture Department seeks to boost markets for swelling citrus crop.

Total output of oranges alone is expected to hit 7.8 million tons this year, compared to six million last year and earlier five-year average of five million.

Output from Florida alone could exceed eight million tons by 1970-71.

One recent experiment seeks to develop market for peeled oranges and for grapefruit halves in vending machine cafeterias and stand-up eateries.

Fruit in trays, covered by polyvinyl film, has been introduced at supermarket near Washington. Goal is to test consumer acceptance, plus ability of packaging to preserve fruit three to four days. USDA reports initial results encouraging.

### CONSTRUCTION

Home builders join trend toward low-cost housing in run-down urban neighborhoods.

National Association of Home Builders soon will announce a six-home project in Washington designed to experiment with construction techniques

and materials to produce single-family homes in \$15,000 range.

NAHB "research homes" provide important means to test construction, gauge public reaction. In past, program has been limited to one home per research project.

Provision for six in latest project is designed to produce impact by housing six low-income families. Arrangement gives builders right to inspect property periodically.

Effort is part of larger trend by industry in low-income housing field. Several businesses, building materials suppliers are involved in experiments in rehabilitating the run-down.

### CREDIT & FINANCE

Strong demand for municipal bond financing is expected to continue in the years ahead.

The Joint Economic Committee of Congress estimates gross new issues—which exclude retirements—will increase by 50 per cent by 1975. Recent experience bears this out.

Total volume for 1966 was over \$11 billion, roughly the same as for 1965. "That's a pretty good clip of borrowing in view of the interest rates,"

comments one Washington observer.

Average rates were around 3.5 per cent for 1965, then soared to 4.24 last August for the highest since the 1930's. As rates declined and hit 3.54 earlier this year, there was a big bulge, largely postponed issues.

New borrowing exceeded \$4 billion for first quarter '67, as against the \$11 billion-plus for all of last year. While this doesn't mean a \$16 billion year for 1967, experts foresee a total of \$13 billion.

### FOREIGN TRADE

Faster foreign trade data is expected to boost export promotion.

Inquiries flood Commerce Department's Bureau of International Commerce on coming system for gaining access to trade information compiled overseas by Foreign Service.

Automated version of trade lists gives breakdown of overseas business information by refined product categories. Instead of wading through page after page on firms handling chemical equipment, for example, exporter interested in fire extinguishers can find them listed under separate category.

Bureau of International Commerce says new trade lists should provide answers to most questions of exporters and potential traders.

New system also will supply tailor-made answers to specific questions to pinpoint selected information.

Business welcomes new service.

In report to Acting Commerce Secretary Alexander B. Trowbridge earlier this year, National Export Expansion Council urged expansion of automated processing of market information, trade opportunities, identification of prospective exporters.

### MANUFACTURING

Growth—and changes—in machinery industry has steelmakers eyeing bigger market.





*What's up with mini-skirts? Among other things, sale of hosiery tailored to short skirts. (See Marketing.)*

Consumption for this purpose has increased 50 per cent over five years, with record consumption estimated at 15.6 million tons last year.

Predicting further growth, industry sources note trend toward use of welded steel structures as against cast components in many types of machinery.

They estimate major users of castings can increase total steel use by 300,000 tons per year by substituting "weldments" for castings.

"It is widely held," says one source, "that a steel producer willing to invest the time and effort to develop and perfect weldments for machinery use might expect to capture about half of these 300,000 tons."

## MARKETING

Mini-skirt fad is lifting a lot more than hemlines. Like stocking sales.

This is experience of new multimillion-dollar hosiery venture of giant textile firm, J. P. Stevens & Co., headed by marketing expert Robert J. Froeber.

Hitting the hosiery market at same time mini-skirts appeared, Stevens reports "sensational" success with gar-

terless stocking (minus visible welt) and added colors.

Riding general style trend emphasizing women "on the go," Stevens also is adding new item, hip-lets—they go up to the hips—plus fishnet model of the same.

"This goes right along with the mini-skirt trend," says firm's fashion designer Audrey Butvay. "We, of course, think it's great for the hosiery business."

Stevens believes short skirts are here to stay, regardless of whether the mini-skirt fad fades.

Firm's approach to fashion trends recalls Froeber statement a year ago launching hosiery venture in a field often complaining of overproduction: "Our research showed that there was no place for Stevens unless we could offer something different."

## NATURAL RESOURCES

Automotive research may be decisive in a new arena of the battle of the fuels: Air pollution.

Conventional gasoline engines are, admittedly, a prime source of air pollution in cities. Auto makers are hard at work developing electric-powered

cars, though problems of weight, battery technology and cost loom large.

Petroleum industry officials claim that by the time research produces an electric car with sufficient range to permit practical use, devices will be available to reduce pollution from cars to permissible levels.

Esso Research and Engineering Co., for example, earlier this year announced development of practical device for eliminating pollution caused by evaporation of gasoline from fuel tanks and carburetors, major source of contamination.

Footnote: Some clean-air advocates wistfully look to urban mass transit as making possible less dependence on autos. But recent experience of cities with mass transit shows it makes only a small dent in auto travel.

## TRANSPORTATION

Airlines and government seek ways to expand use of airways without costly outlays for ground stations.

Problem is this: Aircraft navigation requires flights to pass over ground stations strung out every 100, 200 miles or so and emitting signals to give pilots their bearings.

As air travel increases, so will demand for new air lanes—like additional lanes on highways. With equipment now in use, this would require more ground stations, costing more than \$100,000 each in hardware alone.

Computers may be the answer. Airlines and Federal Aviation Agency shortly will begin tests of airborne computers capable of guiding planes on basis of signals from existing ground stations, without passing over them.

It's tricky. Computers will process signal data to simulate nonexistent stations, permitting pilots to fly new air lanes under existing procedures.

Eastern Airlines soon will test two types of small, special-purpose devices on its DC 9's; other airlines are expected to join in.





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## OUR BUSINESS SYSTEM *continued from page 48*

ers differ considerably from political votes. They are continuous, not periodic. They encourage variety by distinguishing differences in what is wanted. And they encourage consumers to get more "votes" by increasing the value of their own services compared to others in the marketplace.

Before any goods and services can be supplied to consumers, production has to be organized. Labor, capital and other productive services must be brought together and used efficiently. In the enterprise system, this is the job of business firms and of the businessmen who run them.

### Challenge to the able

In essence, the free enterprise system issues a standing invitation to profit-seeking business firms. It says, in effect, go ahead and:

1. Anticipate consumer demand.
2. Hire productive services—labor, capital—pay competitive wages, interest, rent.
3. Produce something (goods or services) that consumers will buy, at prices that cover costs, including a reward for organizing, managing and taking business risks. This invitation challenges the able but traps the unwary.

Each business makes its own decisions. What do people want? What are they buying? How much will they pay for a particular product or service? Would a product change increase sales? How would it affect costs? And profits?

The basic test in deciding whether to create a product or service is a market test. Can it be sold at a profit? To do so the businessman must cover costs—he must buy productive resources at low enough prices, and economize in using them, so that his selling price will be competitive with other firms—and return a profit.

In the enterprise economy, ownership and use of productive resources are mainly in private hands. Most decisions of what, when, how much and how to produce are privately made.

The production process is started and keeps going mainly through countless individual private decisions and operations.

A main clue to this success is found in the way our price-and-profit system coordinates decisions. Both producers and consumers must economize. Producers try to buy or hire productive resources at low-

est possible prices that are competitive with rival firms.

### The role of profits

Profit has a double function. First, it rewards successful enterprises. Second, rising profits signal what people want more of, and falling profits or losses signal what they want less of. Profits are the reward for effectiveness. They are a powerful incentive to producers.

Their absence—losses—also has a social function. Occasional losses spur producers to greater efficiency. Steady losses eliminate unwanted goods or inefficient producers. They stop the waste of resources and shift them to more efficient producers and to higher-priority uses.

New products, or improvements in existing ones, often yield temporarily higher profits to firms that first market them efficiently. These opportunities attract other producers to switch from less profitable activities. As they enter the new field and use more resources in it, the prices of those resources tend to increase. But the ensuing greater supply of the new product tends to force the product-price down. Thus, rising costs and falling product prices tend to squeeze profits lower. Economizing pressures come from both the price-of-resources or input side, and the selling-price or output side of the firm's activities.

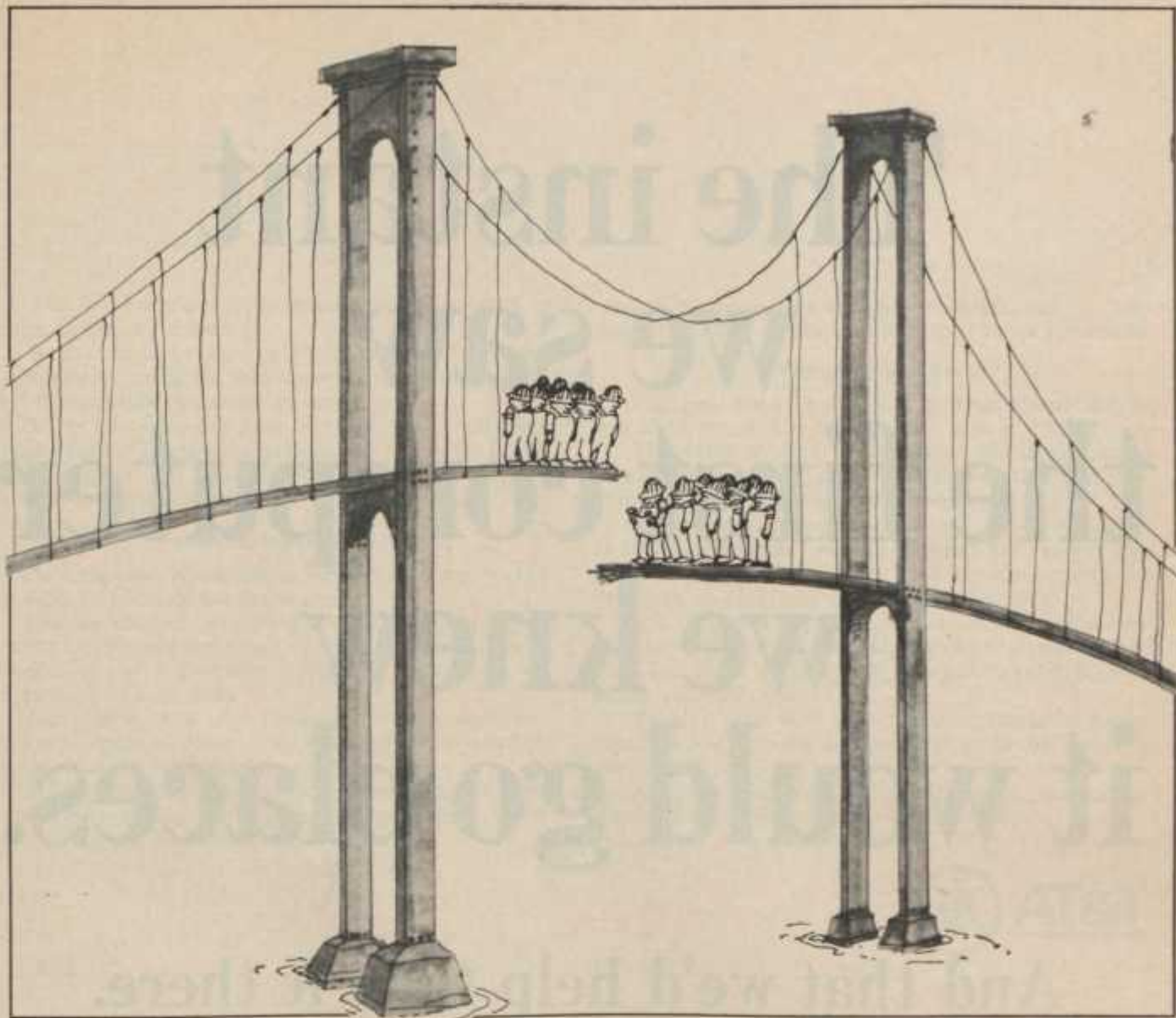
To sum up this coordinating action, markets allocate productive resources to business activities that produce what people want most—as shown by what they buy. A free market economy, while not centrally planned, is nevertheless orderly. Market forces and the profit motive appeal to people's private interests, as producers and consumers, better than any other system. Market forces and the promise of profit stimulate a more economical and productive use of resources than in any other system.

Producers go to great lengths, in market analysis, sales promotion and careful study of consumer tastes to shape production to consumers' proven desires. They had better, if they want to prosper against competition.

So the market system coordinates, or links together, the many private plans of businessmen and consumers.

A drastic alternative to the private enterprise system involves government ownership and control of the means of production and dis-





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**And that we'd help take it there.**





The first electric digital computer was a product of communications technology.

It was made by George Stibitz of Bell Telephone Laboratories, using the telephone relays of his day and not electron tubes or semiconductors.

In its first demonstration in 1939, data went from Hanover, New Hampshire, to New York where the primitive computer did complicated addition, subtraction, division and multiplication.

#### **Sophisticated dialogue**

As computers became more sophisticated, we worked on ways to let them communicate.

But we needed translation devices, equipment that would enable the language of business machines to travel over our voice-quality telephone lines. And our engineers provided them.

Introduced on a trial basis in 1958, Data-Phone® data sets represented one of the most significant developments since the telephone itself.

It was now possible for business machines to communicate . . . in huge volume and at high speed . . . over

regular telephone lines at regular telephone rates . . . any time of the day or night . . . with or without attendants.

#### **Firestone was first**

The first major installation of Data-Phone service was at Firestone Tire and Rubber, also in 1958.

The value of data by telephone was demonstrated almost immediately as real-time information was provided for processing and decision-making.

Today, after 28 years of research and development at Bell Laboratories, we can transmit data in any machine language, at any speed. Plus live handwriting and drawings, to and from any telephone location.

Still our work continues. We want to develop even broader uses for data communications services. And meet the needs of customers who are transmitting ever larger volumes of data.

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## OUR BUSINESS SYSTEM *continued*

tribution. This is generally called "socialism."

### Socialism's grim alternative

In a socialist economy, the government owns and runs factories, mines, farms, food stores, railroads and all the other important elements of a modern society. The government decides what goods will be produced, how much they will cost, where they will be shipped and sold and even how they will be styled and merchandised.

As we have seen, the voluntary market price system is flexible. It corrects mistakes in producing or merchandising by requiring sellers to heed the signals of profit and loss. But a socialist economy has no such automatic correction mechanism.

It is affected by politics and personalities, and, most important, a few decisions, rather than a great number, control the entire output of a particular product.

Moreover, concentrating in relatively few hands the power to produce, distribute, hire, fire and pay requires great faith in the benevolence of government. For a government that abuses this power can enslave its citizens, even without the use of firing squads and concentration camps.

In their decision-making processes, the state-controlled economy, whether communist or not, and the enterprise economy are poles apart. The state-controlled economy—communist, socialist, or dictator-run—centralizes decisions. The enterprise economy decentralizes them. In the state-controlled economy, the government has great power over jobs, earnings, and what income can buy. But in the free enterprise system, usually, no employer or single seller can exercise comparable power over us.

In the broadest sense, economics is a study of the systems and processes by which mankind gets and uses its wealth.

Together, the five goals—freedom, rising living standards (economic growth), improved economic efficiency, stability and security—provide a challenging policy framework for evaluating the constructive contributions of the enterprise economy to human well-being. For this continuing inquiry and debate, economics is the lamplighter. Whoever follows this light lifts the burdens of the world.

END



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# Here's why work-a-day truckers like Chevy's new build



*Half-ton Custom Sport Truck (CST)*



## (also work-and-play campers, commuters, den mothers and others)



### IT POLISHES BUSINESS IMAGES

You'll like the way your company name looks on the side of a '67 Chevy pickup. (So will your customers.) Chevy's new appearance is lower, sleeker—good for business!



### LOOKS GOOD IN DRIVEWAYS

Chevy's styled to be seen in the best places—including your drive. *Ladies please note:* a lot of cars don't look as good; and where else can you get so much help with the chores?



### MAKES A GREAT CAMPER

A Chevy pickup camper gets you away from home—but doesn't leave your comforts behind. You can specify all kinds of power assists and you'll ride in a bright roomy interior. (In some models, there's even carpeting and bucket seats.)



### RIDES LIKE A CAR

A Chevy pickup rides as smooth as it looks; you'll forget you're in a truck. Tough work-proved suspension system provides independently suspended front wheels that step right over bumps.



### DISCOURAGES RUST

Long life is built right into Chevy's new sheet metal. For instance, on the Fleetside pickup body, there are no external joints to corrode. And there's a new splash shield at the rear of the new rust-resistant wheel-housings.



### STAYS STRONG

Chevy pickups have extra strength where you need it most. Like the Fleetside pickup box, where side panels are made of double-walled steel. And the frame, built with tough carbon steel.



### ADDS TO SAFETY

Chevy pickup features such as these add security to safe driving habits: Telescoping lower steering shaft; energy-absorbing instrument panel; dual master cylinder brake system; good visibility all around.



### SAVES MONEY

Chevy pickup economy comes from careful engineering as in the efficient design of famous fuel-saving 6-cylinder and V8 engines. Now you know most of the reasons why Chevy's new build will do you a lot of good. You'll learn the rest at your Chevrolet dealer's. . . . Chevrolet Division of General Motors, Detroit, Michigan.



*a brand new breed!*



# Seven tough questions to ask the next guy who tries to sell you a truck lease

These days, everybody has a "good deal" on a truck lease for your business. There's only one way to be sure you're talking to the right man—ask the right questions. Here are some suggestions:



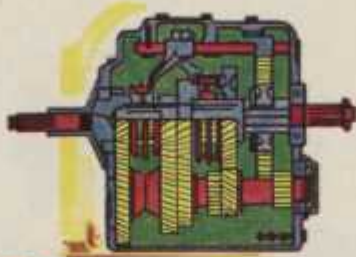
**1** Ask him about his company's experience. Make sure they really know the truck leasing business.

(After leasing trucks for more than 30 years, Ryder has over 15,000 vehicles on the road for more than 2500 companies.)



**2** Press for the number and location of qualified service centers. Don't be fooled by the offices in airports, hotels and other such places where a truck can't possibly be repaired.

(Ryder has 211 company-owned shops that can overhaul any powerful Ford or other fine truck you may lease. In addition, almost 500 "Affiliated Service Stations" provide fuel and normal on-the-road maintenance.)



**3** Find out about the availability of custom engineering.

(As the world's largest over-the-road truck lessor, Ryder has both the staff and the experience to design and specify the right trucks for your fleet.)



**4** Check the safety programs the salesman claims to have.

(Ryder-tested drivers consistently beat the national averages for safety and efficiency of trucking operations.)



**5** Ask what he can do about maintenance on trucks you choose to own rather than lease.

(RPM, the Ryder Programmed Maintenance plan, lets the trucks you own get the same expert service as the trucks you lease.)



**6** Find out if he offers trailers at competitive rates on relatively short-term—say three-year—leases.

(Ryder now offers Trailerplan, an economically feasible short-term lease plan for trailers.)



**7** Find out what happens if you break down away from home. Don't settle for jerry-built repairs that make you baby your truck back to the town where you leased it.

(Every Ryder truck is "at home" in every Ryder shop. You get thorough, expert repairs wherever and whenever you need them. The buck is never passed from one location to another.)

If the salesman's answers don't measure up, you must be talking to the wrong company. To talk to the right one, call your nearby Ryder office or write Ryder, Box 816, Miami, Florida 33133.

**RYDER SYSTEM, INC.**





The Woodville home, called Magnolia Hills, is at the exact site on which Governor Shivers' great-grandmother settled when she and her family came to Texas in 1846.

"I'm one politician who was not born in a log cabin," he jokes. "I built Magnolia Hills from logs cut on the place." The home could hardly be called a "cabin," however. It's a gracious setting for family gatherings of the Governor, Mrs. Shivers and their three sons, daughter and grandchildren.

Son John is married and has three children. He works at the Capital National Bank in Austin. Allan, Jr., and Marialice Sue are students at the University of Texas; Brian McGee is in public school.

Governor Shivers will have less time to spend at Magnolia Hills in the year ahead. As National Chamber President, he will be the spokesman for the world's largest federation of businessmen. In the following interview, he outlines his goals for this year, his philosophy, and his techniques of management which will be of interest to every businessman.

**Governor, is it true that you worked your way through college?**

Well, after I went to the University of Texas for one year, I had to stay out three years because of economic adversities. I worked for the Texas Co. during that time in their Port Arthur plant.

I didn't know whether I would ever be able to return to the University, so I applied to my Congressman for an appointment to West Point. Right after I re-entered the University, I had a wire offering me the appointment. It's interesting to look back and wonder what would have happened if I had gone to West Point and been shot in the war or been a permanent private or even a sergeant or something.

But I turned it down and took a B.A. in '31 and a law degree in '33 from the University.

I have often said one of the hardest decisions I ever made was quitting a job at 19 years of age, paying \$165 a month in 1929, and going back to school to try to learn something. But I did.

I worked in the state treasurer's office while going to school, and at the J. C. Penney store selling shoes on Saturdays. I worked in the legislature when it was in session, or anything else to make a few extra dollars.

At the same time, I served as chairman of the honor council of the University, president of the student association, on the athletic council, board of student publications, the first student union group, the management group and quite a number of other things.

**Is that when you got interested in the legislature?**

I think it started that way. I grew up in a law office and many lawyers turn toward politics, particularly in small towns, such as I lived in—Woodville, and later, Port Arthur. My father had been in politics as well as law—so I grew up with an affinity for it.

**At 26 you were the youngest man elected to the State Senate?**

As of that time. In recent years there have been several that young, but 26 is the minimum age.

I was re-elected twice, and was dean of the State Senate when I ran for lieutenant-governor after World War II.

I served two years overseas during the War in North Africa, Italy, France and Germany. I volunteered—members of the State Legislature had an exemption from service—

and was assigned to military government.

They sent me to the University of Virginia to learn about military government and also to learn Italian. I had studied French in college, and growing up in Texas I learned a smattering of Spanish.

Later when I traveled in Europe with my wife and children, trying to show them where I won the War, the children said I spoke Italian in Spain and Spanish in France and French in Italy.

I worked liaison with the troops. They told us, "Now, in military government, you will never be where a shot is fired." But that was the only place I ever was.

**You returned to politics when you came home?**

Yes, I was elected lieutenant-governor in 1946 and re-elected in '48. When Beauford Jester, who had been elected governor in both '46 and '48, died in July, 1949, I succeeded him as governor. I filled out a year and a half of his unexpired term, and then was elected to three additional terms.

**That also is a record, is it not?**

Yes.

**When you became governor, Texas was going through the big boom in urbanization that much of the country**

*Allan Shivers speaks before Texas' shrine of liberty, the Alamo, on the campaign trail in one of three successful races for governor.*





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## LESSONS OF LEADERSHIP *continued*

is going through now. Have you noticed any different approach or philosophy in solving these problems?

When Governor Jester and I took office, the state needed to begin industrialization and industry began moving in. Therefore, people began moving into the urban centers where the jobs were.

So we had to move fast. We began planning for the problems that would grow out of urbanization.

The problems of sanitation, of water supply, of crime, and everything that goes with concentrated population began to occur. Probably because they occurred at that time and rather slowly, we were able to cope with them.

Among other things, I recommended—and I hope it will be done one of these days—that a police academy be organized to train our police officers.

**Do you feel police problems are better handled at the local level rather than the national?**

Oh, definitely so. A great many crimes, of course, cross state borders and it's all right for the FBI or other federal officers to come in. But local law enforcement is just about as close to the community level as you can get government other than your schools.

Of course, the federal government has stepped into schools in a very determined way. But it's just beginning to take a broad interest in crime education and law enforcement training, subsidizing training programs in the states and on the local level as well.

The next thing, as it was in schools, will be that the federal money will be used as a carrot or stick to get local communities to give up their right to govern the actions and pay of their local law enforcement officers.

**Do you feel that the states and cities are doing as much as they can to solve their problems?**

The real problem of state and local government is one of money. It's often said that the local mayor and council, or the state government, have shirked their responsibility, and that the federal government stepped into the breach to supply the services people want. That, in my opinion, is not true.

The pathway is literally strewn with the carcasses of mayors and councilmen and state officials who have raised or tried to raise taxes

to provide these services and the people would not agree.

Then the federal government comes in and offers to provide the money for these local services. It can do that, having the privilege of open-end spending and unlimited deficit spending. Besides, it's far away from the average citizen.

We have a growing philosophy which is not good for a democratic form of government that says: "We better get our share because if we don't, someone else is going to get it." That necessarily increases the cost of all government.

The federal income tax is probably the most efficient money producer that has ever been devised—and I am not speaking of its fairness. Since it's geared to the gross national product, tax receipts grow as the gross national product grows, as inflation makes it grow.

President Johnson told me recently that his economists tell him he will have an average of \$7 billion more a year to spend over the balance of his current term.

And it seems that whatever the federal administration is, whether it's Democratic or Republican, it does a good job of spending whatever money it has, and usually more.

**Would some form of sharing federal revenues with state governments make it easier for them to handle their problems?**

Yes, if the revenue-sharing program could be substituted for the present so-called grants-in-aid, and if the new program were based on an equitable formula. I think the formula should be based on population, natural resources and maybe several other factors.

Grants-in-aid now include federal restrictions and requirements of standardization that add considerably to the cost of a project. And they lead to distortions. A great many areas now cannot raise the money for their local share in grant-in-aid projects because they have either reached their debt limit or the people just will not vote the matching funds. They feel they can do without whatever is being proposed.

Taxation is reaching an all-time limit. Who knows when it's going to reach a point where the citizen is going to rise up? And that is what it takes in a democracy. All of our reforms come because the people feel there is an abuse, and



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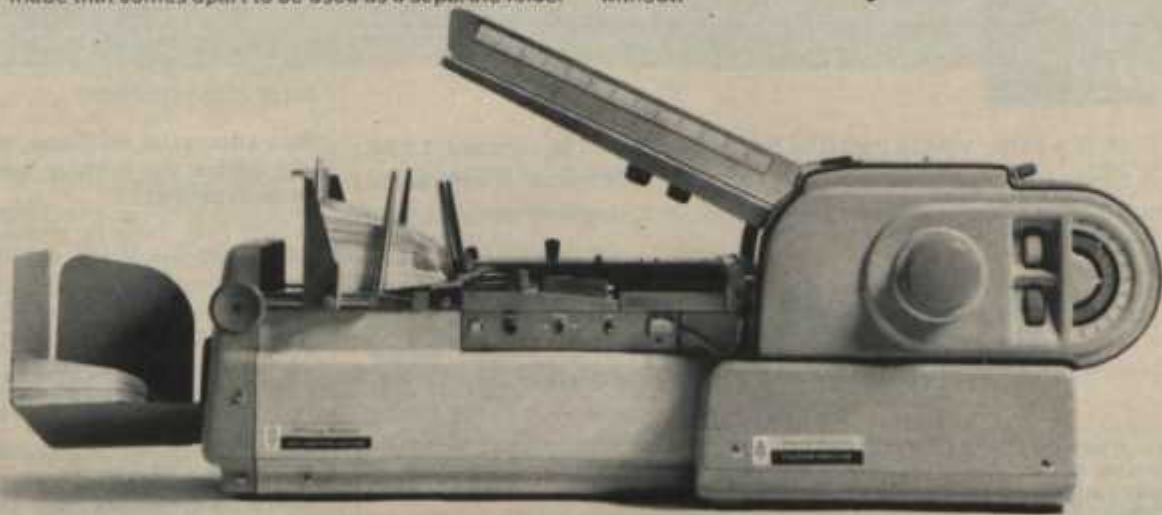
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## LESSONS OF LEADERSHIP *continued*

demand that their democratic form of government remedy that abuse. That has been true in labor law reforms, it has been true in tax reforms and it has been true in any number of major programs on both state and federal levels.

**How do you feel about the trend toward regional-type governments?**

I am disturbed somewhat over the federal government's crossing state lines and creating regional groupings. I am not sure that that isn't one more nail in the coffin of state government, and it disturbs me because of this:

Our democratic society was built on the federation of states. I think our form of government depends on the people controlling the government. It has to begin on the lowest level.

If you destroy the contact of the citizen with the forms of government that established the nation—the communities and states—you have permanently taken away from him one of the essential forms of democracy in a republic.

What else has he lost? Just as in consumer legislation, he finally loses his right to decide. The Health, Education and Welfare Department now has lots of programs where they feel they know more about what a citizen ought to have than he knows himself. They know better how he should spend his money, how to run his home, how to run his school.

As more and more of this type of program comes along, the individual citizen loses more of his identity. The dignity of the individual citizen must never be lost in a democratic society and a republican form of government.

**As a successful politician, what would you advise the average businessman to do in politics?**

The first thing he should do is to educate himself on the issues involved. And that means the general scope of the issue, not his own personal or business, selfish interest.

Next, he should have an intelligent approach to the government official he is dealing with. He should not sit down and write a mean letter to the Congressman about his views, but call on him personally, if he can. If not, write him a personal letter, certainly not a form letter.

And third, if the Congressman



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## LESSONS OF LEADERSHIP *continued*

votes as he has asked him to do, he should write a letter and thank him. They get abused—and this is true on every level of government—for doing things the voter doesn't agree with, but very seldom do they get thanked for doing what the voter thought was correct.

Certainly the individual businessman should participate as much as his time and resources will permit. He must join with his neighbors, his fellow business people who are like-minded. He must encourage his family to do the same thing, and his neighbor's family; and they must support the candidate of their choice, get out and actively work in his campaign, contribute money and time to his campaign, because the people on the other side of the fence are doing that.

### You mean the labor unions?

Yes. Take the AFL-CIO's Committee on Political Education. I think the COPE organization, as such, is the most ideally suited political organization I have ever seen because of its structure and because—to the membership—COPE represents an educational institution. It relies upon the educational program of the labor organization, of which COPE is the political arm, for its advice and education.

On the other hand, business is often divided. Segments of business will fight each other tooth and toenail over some issue, whereas COPE presents a unified front. If business could present a unified front—local, state, national—it would be much more effective.

I am not recommending that Businessman A neglect the interest of his own business in order to support something that Businessman B is promoting. But if we could have a more unified business-political front, we would be much more effective.

### Will this be one of your goals as National Chamber President?

I would like to accomplish this, or at least to help accomplish it. The trend is already there. It only needs development.

The Chamber of Commerce of the United States is the largest business organization in the world. It represents every type of business, small, medium-sized, large, and the same range of individual businessmen.

I would like to see the voice of the average member of the business

community, as represented through the Chamber federation, become a more important spokesman for that business community.

I would like to see him have an unselfish approach for the good of the entire community, not just business alone—not a selfish approach, by any means, but an approach that would be for the good of the entire society and for the future of the kind of government we think we should have.

If I can contribute something toward that end, I will consider it a good year.

### One of the new things developing is the federal government becoming the "protector" of the consumer. What does this mean for the businessman?

I don't think many businessmen object to fair regulation. Actually, much business regulation is passed because of violent abuses and a lot of the business community helps pass it.

There isn't any question in my mind but that some additional business practices today need further regulation.

The better approach, of course, would be for industry to police itself, and if it would do this, and help the law enforcement officers, there are enough statutes on the books today to police any segment of an industry for misrepresentation of its products.

The more that business is hampered or hamstrung by regulations, the more cost is piled upon the product, and therefore, the more cost to the public.

As for disclosure of facts, I think the evil is that you sometimes must disclose these things to your competition as well as to the public. If every manufacturer is required to disclose too much to his competitor, then the housewife buying his products—you and I who buy the products—are going to have standardized products. We will have the government controlling the price, too, and we won't get the benefit of competition.

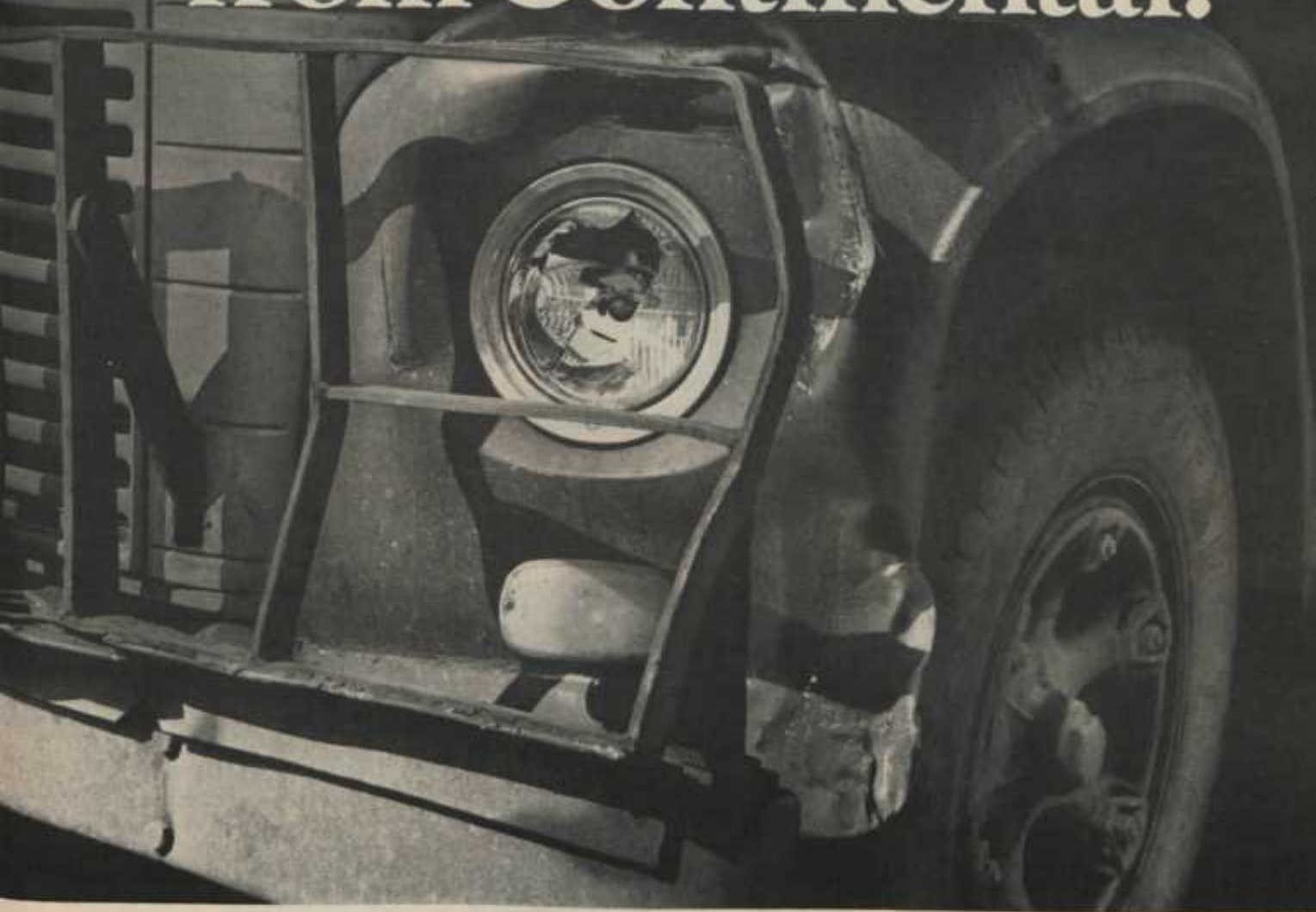
One of the things that has made America grow really great and reach its high standard of living has been competition.

We've barely mentioned labor law. Texas, of course, has a right-to-work law. Do you think it should be maintained?

Yes, I think so. It stands as a symbol of freedom of choice. And



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*Gov. and Mrs. Shivers and their youngest son, Brian, and plaque in front of library and museum which the family donated to Woodville, Tex., school district.*

as long as we love to brag about the freedom our ancestors had, and that we still have to a certain degree, I think it wrong to say to a laborer that he does not have freedom of choice or to say to the public generally that the laborer does not have freedom of choice. That is all the right-to-work law actually does, to say that the laborer has freedom of choice to join or not join the union.

**Are there any specific labor law reforms you think are needed?**

We need to do something about the emergency strike situation. That is, a strike which paralyzes whole industries like transportation, for instance.

I would never advocate that the laborer be denied his right to strike. I think that is basic. And yet there must be some solution as our society grows more complex by the day and as our urban areas become almost uninhabitable because of the confusion in them, and the unions grow in strength and force.

On a local level, I think of a strike of the garbage workers, a strike of policemen and firemen, hospital people, health services, and so forth.

Some system of arbitration ought to be worked out in those areas,

but I don't want to see forced arbitration.

Also something must be done about reforming the National Labor Relations Board. Because of political pressure, the Board today is union-oriented.

It was designed to be a quasi-judicial body that would hear disputes and render decisions for or against labor or management; but it has lost its bipartisan origin and needs to be reformed to that extent.

**During your first administration as governor, you made many social reforms. How did you go about it?**

When I went into office, our state prison system was one of the worst in the nation. Our state hospitals, our eleemosynary institutions for the mentally ill, the deaf and the blind, the tuberculosis hospitals, the epileptic hospitals were nothing more than caretakers, and not very good caretakers at that. The state prison system was at an almost unimaginable point in moral degradation.

We conducted a campaign to educate the people, the legislature and the press. We took them to these hospitals. We had speakers talking to all of the civic clubs and almost anyone else who would listen. Then I called a special session of the

legislature and asked them to pass tax bills providing the necessary funds to remedy things. And we did remedy them.

**You accomplished this on the state level without going to Uncle Sam for money?**

No federal help at all.

One interesting thing, I was probably known as one of the most conservative governors in the United States, and yet my record will show that I probably spent more money for social gains in Texas than any governor in the history of the state.

**Would you call yourself "liberal" or "conservative"?**

No one likes to be tagged with either. With rare exceptions a governor, a member of the legislature, a member of the Congress will be conservative on some things and liberal on others. In a matter of state responsibility versus the federal government, I would certainly be classified as a conservative.

On social issues I think things have to be done and they can be done.

**Don't businessmen generally recognize these needs when they see them?**

I think so, if they feel that money is going to be spent for a good purpose and that they are not going to be, as is always said, "taxed more than our share." Only when there is a constant haranguing and a knowledge that the money is being used for political purposes more than for actual needs do you have concentrated opposition.

When I was governor, I made it a practice to work closely with the business community. We kept a balanced budget and I didn't hesitate to recommend additional taxes when we needed them.

When I had a program to present to the legislature, I called in business leaders from all over the state ahead of time, not only for consultation, but to give them information and get information from them.

In later years, particularly after I supported President Eisenhower instead of Adlai Stevenson in '52-'56, the liberal element or loyal Democrats, as they call themselves, criticized me by saying that I was running the state government solely for business, which wasn't true at all. I felt the business community was going to pay the taxes and they were entitled to know what the program was.

The same thing applied to labor laws, and laws that would encourage business, trying not only to





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## LESSONS OF LEADERSHIP *continued*

create but to maintain a favorable business climate.

Do you feel that it's a function of the national government to create and maintain a good business climate to keep the economy going?

That can be interpreted in many ways. We have just seen a good example of the federal government overheating the economy and now we are in a definitely weakened economy.

I was happy to see the President's recommendation to lift the suspension on the seven per cent investment credit. It will help.

How do you feel about the proposed six per cent surtax?

If I read the tenor of Congress correctly, it is not about to pass a tax bill in a soft economy such as we have now.

Unless the economy improves a tax increase could cause a serious recession rather than just a softening of business as we have now.

Speaking of business, you have been described as a man who makes all your own decisions without a great deal of staff work. How do you delegate the details?

I always try to organize a staff, whether it's business or government, and delegate certain areas of responsibility. I want my staff to report to me, and to be well informed when they report. But they must understand that I make the final decision.

No man can run an organization today without the help of some very valuable assistants. He must delegate a lot of authority to trusted staff people, and I always try to do that.

And you have to have staff meetings—regular meetings, where each of the staff discusses his particular problems and tries to relate his problems to all the others. You don't solve them all by any means, but you try.

How do you pick good people?

You naturally would try to pick people with experience, people in whom you have confidence, people who have demonstrated their ability in a certain field, or at least by educational background and training should have the knowledge and ability. It doesn't always work a hundred per cent that way. And if



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## LESSONS OF LEADERSHIP *continued*

it doesn't, the only thing to do is to make a change.

**Do you have any hobbies, Governor Shivers?**

Yes. I would say bird shooting is one of my favorite hobbies, if I have any favorite, other than golf.

**How is your golf?**

It's neglected, terribly neglected. I have a set of clubs out here at the country club in Austin, and a set over at Augusta National and a set at home that travels with me, so I play every chance I get, but that's not often enough.

**Governor, would you comment on your relationship with President Johnson?**

My relationship with the President is very friendly. We have been

friends for 35 years. We have very seldom been in total accord, if ever. And there have been some very sharp differences. But there has never been any real bitterness.

Of course, he supported Adlai Stevenson when I supported Eisenhower, and I supported Nixon against Kennedy and Johnson.

I was over to the White House just recently when he was having a meeting with a group of Senators, budget officials and some others.

The President asked Marvin Watson to bring me in, and I sat with them a while. He introduced me, although I knew all of them except one.

When the introductions had been finished, the President said, "I want you all to know that Governor Shivers and I haven't always been together on everything.

"I have had him against me and for me, and I would much rather have him for me."

I feel the same way about him.

I also feel that as President of the United States, particularly on foreign policy, he is entitled to my strong support on the basis that he has, or is in position to obtain, the facts to support his position. He is the only man who can really speak for the United States in foreign affairs.

My differences with him would be on domestic affairs. **END**

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*Allan Shivers, the newly elected Chamber president, and his family on the lawn of their home in Austin. At left are Marialice Sue, 20, Brian, 14, Allan, Jr., 21, Mr. and Mrs. Shivers. An older son, John, 26, is absent.*



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Now that the taxpaying deadline is passed, some people will be getting just such invitations from IRS. While a tax audit may never be a pleasure, here are some pointers to help you through this ordeal.

Let's assume that you have received a letter from IRS. It will advise you that your return has been selected for audit (examination). There are two types of audit: The office audit and the field audit.

The office audit is conducted at the district office.

The field audit is generally conducted at the taxpayer's place of business.

## **The office audit**

Most of the audits conducted by IRS are office audits. They are carried on either by correspondence or by interview at the director's office.

When the audit is by correspondence, it is usually limited to the verification of minor items you can easily prove by presenting documents. An office interview is used in those cases where the taxpayer needs to explain items, such as depreciation or travel expenses.

The letter you receive from IRS will advise you whether or not the audit of your return will be handled by mail. The letter will probably have on it in the upper right hand corner a statement: "In reply refer to:—," sometimes followed by a mail code symbol. Use any symbols shown there when you write about your return.

The letter should be written to the district director but directed to the attention of the mail code, if one is shown on the letter you receive from IRS. This will make it easier to associate the letter with your return.

Suppose IRS asks you to send verification for your deduction of the mortgage interest and the automobile sales tax. The documents you will need are the mortgage com-

pany's statement and the automobile sales slip which will list the sales tax. When you have collected these documents have them photocopied. Tax advisers say don't send original documents.

Another important point, never send documents by ordinary, first-class mail. Send them by certified mail with a return receipt requested. This way you can have proof that you sent the material. If it gets lost, it was lost by IRS or the post office. If you don't get the return receipt back within a reasonable time, have the post office follow it up. At the same time send a letter to the IRS agent explaining what has happened.

After an auditor looks at the information you send in, you will be advised by mail whether it is considered sufficient verification. If no adjustments are proposed, you will

*S. THEODORE REINER, author of this article, is a former IRS attorney, and an authority on tax laws. He is now tax editor at the Research Institute of America.*







be advised that your return has been accepted as filed.

In a correspondence audit where verification is insufficient, you will receive a report explaining the proposed adjustments, and the amount of additional tax (deficiency). There is a place to sign the extra copy sent you, if you agree with the increase. Sign it and return to IRS, if you agree.

If you don't agree you have 15 days to submit additional information or go to IRS and discuss the proposed adjustment, or you can appeal the auditor's conclusion. The appeal procedure will be set forth in the letter to you advising of the proposed increase. The appeal of the auditor's decision will be touched upon later.

#### **If you appeal**

If the letter you originally receive, from the IRS, asks you to appear with your records at a particular time, the examination is an office interview type. Normally the letter will tentatively set the date of the examination.

If the time or date is inconvenient call IRS and set a new date. If this is your first experience with an audit and you are not quite certain what records will be needed, call IRS and ask. Having all the necessary documents available will avoid wasting your time and the auditor's.

Courtesy pays off in the long run. It won't induce the examining officer to allow a deduction to which you are not entitled, but it will make your dealing with him easier.

After you arrive for the examination the auditor will look at the records you have brought and ask some questions. Then he will come to one of several conclusions:

1. The return is correct as filed.
2. You are entitled to a refund.
3. He needs more information.
4. You have not paid enough tax.

If one of the first three he will explain to you the procedure to be followed, including how to go about sending in additional information. Remember always to use certified mail, which offers proof the material was delivered. If he concludes that

you owe more tax, he will explain the reasons. If you agree with him he will ask you to sign an agreement form, a formal document which indicates that you agree with his conclusion. (If a joint return was filed, both spouses will have to sign.)

If you don't agree with his conclusion, you have a right to appeal it. An examining officer is required to explain to you your rights of appeal. This will be done during the audit and will also be explained in the letter enclosing a report showing the proposed adjustments.

If an additional tax (deficiency) of more than \$1,000 is proposed, it may be advisable to have a professional adviser (lawyer or CPA) handle the appeal because it is necessary to file a formal written protest. But it is not necessary to have someone represent you.

#### **The district conference**

Where the deficiency is less than \$1,000, you don't have to file a formal written protest. All you have to do is write to the district director telling him that you disagree with



## RELAX, IT'S ONLY A TAX AUDIT *continued*

the agent's determination and that you want a district conference. Arrangements will then be made for you to meet with a district conferee.

The district conferee is not a rubber stamp for the examining officer. He will look at the case anew. He will look at the records, listen to your explanations, and come to an independent conclusion.

One suggestion: Don't vilify the agent. If the agent was harsh and arbitrary, this will be apparent to the conferee when he reviews the records for proper application of law.

If you can afford the time and you really have an honest dispute, it might well be advisable to ask for a district conference. But the district conferee can come to the conclusion that you owe more tax than the agent decided you did. After the district conferee has come to a conclusion he will advise you of it. You will also receive his conclusion in writing. If he determines that you owe the additional tax, he will ask you to sign an agreement form—if you agree. He will also advise you of your further appeal rights.

Field audits are somewhat differ-

ent from an office audit, especially in scope. Only selected items are checked in the office audit. The field audit is handled at your place of business. Usually the agent will phone you to set up an appointment, but occasionally he may send a letter to set a tentative time for the examination. If it is not convenient, advise him and set up a time that is mutually convenient. Do it by phone and confirm the arrangements by letter.

All agents have proper identification. Never give records to an individual who says that he is a revenue agent without seeing his credentials.

Don't give original records to the

agent. If he wants copies tell him you will have them copied and sent to him.

In deciding whether or not to agree with the examining officer's determinations, treat it like any other business decision. Take into account just what it is going to cost you to appeal the case, not only in out-of-pocket expense, but in time, which also is money.

Don't panic. In a typical year more than one-third of the returns examined by office audit were closed with "no change," and the average additional tax proposed by agents in an office audit was \$90.

END

## THE ELEPHANT GETS GLAMOR

*continued from page 38*

anybody down," protests Rep. Jerry Pettis of California, the other 90th Club member on the Policy Committee. "I think the Republican leadership wants our views. We intend to give them."

The G.O.P. leadership in both House and Senate has made it plain it looks on this crop of newcomers with special interest—and affection. Not only are they younger—in the House the average age is 44—but three of the five new Republican Senators already had national stature.

### Something new has been added

And the freshman class of the Ninetieth Congress gives Republicans a commodity they haven't had as far back as most veteran Washington watchers can remember: Glamor!

"It was true," representatives of both parties candidly admit. "The Democrats until recently seemed to come up every time with some bright young men and the Republicans were stuck with an image of sending more tired, old men."

With the 1968 Presidential elections just over the horizon, image is terribly important. There's already jocular talk about the "battle of the TV powder puff."

This may be stretching it a bit, but no one is discounting an obvious fact: To a predominantly younger national population, an image of vigor and dynamic appearance is a ballot box plus.

Sens. Charles Percy of Illinois, Mark Hatfield of Oregon and Edward Brooke of Massachusetts are the best-known of the new G.O.P. Senators.

They are literally up to their ears in requests to make appearances.

(So is Sen. George Murphy of California, a former movie star and now a veteran of two years in the Senate.)

Sens. Howard Baker of Tennessee and Clifford P. Hansen of Wyoming have been picking up steam.

And look at who else is in the new G.O.P. lineup:

Robert B. (Bob) Mathias of California is the rugged, good-looking former Olympic decathlon champion.

Donald W. Riegle, Jr., of Michigan, at 29, is not only among the youngest of Congressmen, he also picked off a seat on the powerful House Appropriations Committee.

Margaret Heckler of Massachusetts, the pert housewife who unseated the venerable Joe Martin, last Republican to hold the speakership of the House of Representatives.

William O. Cowger of Kentucky, a financial executive and widely acclaimed as the progressive mayor of Louisville.

Bob Taft of Ohio, son of the late "Mr. Republican," Sen. Robert Taft.

James C. Gardner, 34, handsome, North Carolina food company executive, who unseated Harold Cooley, 32-year veteran chairman of the House Agriculture Committee.

John Hammerschmidt, 44, an Arkansas lumber executive who replaced the 11-term veteran, James W. Trimble.

William A. Steiger, 28, of Wisconsin, president of his own company and winner of the Young American Medal for Service, an award presented to him by former President Eisenhower for outstanding achievement.

Donald Lukens, 31, of Ohio, a criminologist and former national

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*That extra gallop comes in handy for Rep. Donald Lukens when the ex-criminologist has to cast an important vote. It can mean as many as four or five trips a day between his office and the house floor.*



PHOTO: GEORGE THOMAS

## THE ELEPHANT GETS GLAMOR *continued*

chairman of the Young Republicans. Jack McDonald, 34, of Michigan, a building contractor and former "Man of the Year" of the Detroit Board of Commerce.

John H. Kyl of Iowa, former athletic coach, Chamber of Commerce manager and TV news director.

Thomas F. Railsback, good-looking, 34-year-old, Illinois attorney, another "Outstanding Man of the Year" in his home town of Moline.

Daniel E. Button, who resigned as executive editor of the Albany, N.Y., *Times Union* and piled up an 88,279 plurality in a district that had elected a Democrat the previous time by a 98,000 vote margin.

The young Lochinvars of politics who arrive on the Congressional

scene often find the mode and methods in sharp contrast to accustomed action.

"When I was governor," Sen. Hatfield told a group, "I pushed buttons and people came running. Now I listen for buzzers and bells."

But the old saw that "freshmen should be seen and not heard" has gone down the drain.

The battleground for the 1968 election will be Capitol Hill. It is here the Republicans will try to make a record and the Democrats to tidy up programs they contend have been responsible for unprecedented national prosperity.

On the major committees—where the real work in Congress is done—are numerous first-term Congressmen. Some of the new Republicans

picked off real plums. Rep. Bush became the first freshman in this century to win a place on the powerful House Ways and Means Committee, the body that must originate all tax legislation.

### **The new breed**

In many ways, the 42-year-old Representative of Texas' Seventh District represents the 90th Club's new breed.

The son of a former U. S. Senator, Prescott Bush of Connecticut, he didn't grow up as you might expect in an atmosphere of politics and smoke-filled rooms.

"Actually," he says, "I'd already left home and was trying to get off the ground in the oil business when Dad got elected to the Senate. It wasn't what you'd call any real political atmosphere—nothing like 'The Last Hurrah'."

Rep. Bush went into the U. S.



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## THE ELEPHANT GETS GLAMOR *continued*

Navy after graduating from an exclusive eastern prep school, Phillips Academy in Andover, Mass., and at 18 won his wings, serving as a torpedo-bomber pilot with the Third and Fifth Fleets in the Pacific in World War II in 1942-1945.

He survived being shot down over the Bonin Islands and was picked up by a submarine, spending "30 of the hairiest days of my life" as it completed a patrol mission.

Mustered out, he went to Yale to study economics, captain the baseball team the two years it won the NCAA eastern championships and graduated knowing:

"I definitely didn't want to go into the investment banking business with Dad, or even in banking. So I went to Odessa, Tex., to go to work for Dresser Industries."

At 27, he started in business for himself, trading in leases and oil royalties and in 1953 in Midland, Tex., helped form Zapata Petroleum Corp. and later the Zapata Off-Shore Co., a pioneer in ocean oil well drilling.

He also gravitated into politics "in a minor way. You know there just aren't too many Republicans in West Texas. I was finance chairman for the Eisenhower-Nixon campaigns in Midland County and after the company moved to Houston, I became Harris County Republican chairman."

Rep. Bush has an athlete's grace, light brown hair and blue eyes. He's a self-described tennis bug and "a guy who likes to compete." His Ivy League diction is not such that it jars a Texan's ears.

To the charge he was a carpet-bagger, Rep. Bush cracks: "It is true, I was born in Massachusetts, but let's face it; at a time like that I wanted to be near my mother."

### No faith in labels

The biggest single issue his Democratic opponent made in his Congressional race was "If you want a real conservative, vote for me."

"I don't believe in labels," Rep. Bush says. "They belong on cans. You can't label anybody 'conservative,' 'liberal.' I'm for stopping government erosion of responsibility. I'm for trying to come up with some new answers to the problems we face."

"Why not try some of the ways of business? You can't run a company in the same old way or you're out of business before you know it. The government isn't going out of business, but it's not going to solve

many major problems by just patching."

Rep. Bush sees today as a "time of change."

"You mustn't fear change. Maybe that's the image too many people have of Republicans. Maybe they have seemed this way in the past. I don't believe it's true now. And I think the mood of this Congress and the Republicans here now is that they don't fear change."

This is the philosophy of a majority of the 90th Club.

"The Democrats have gotten a lot of credit for legislation they never could have put over without real Republican leadership effort," Rep. Pettis says. "Look at civil rights. Without Sen. Ev Dirksen in 1964, you'd never have had this bill. But the Democrats get all the credit."

A businessman and former airline pilot, Rep. Pettis campaigned in part on the fact he had once walked a picket line as a member of the Air Line Pilots Association and could be sympathetic to labor's problems.

But he, too, believes old images hurt and not just in politics.

"Business is still looked upon by

too many as just 'be damned against everything.' It's not like that at all. Businessmen are deeply concerned about social issues."

### The federal malaise

Reps. Bush, Pettis and others in the 90th Club believe too many federal officials have the attitude that local government won't take and can't handle its responsibilities.

"This is malarky," says Rep. Pettis. "We've got a federal attitude that money solves all problems. When everybody gets to believing this, we're in bad shape. Money alone won't solve problems."

All Congressmen are showing new concern about keeping in touch physically with the home folks. There's a regular exodus from the Capitol to the airports on Thursday nights, as soon as the usual week's session is adjourned. "I'm going to try and get back home every three weeks," says Rep. Bush.

Many members are convinced they just need to have the feel of what their district is thinking, not only through letters, but in just being there.

The 90th Club members are keenly aware the bulk of the nation's population is young and somehow the G.O.P. must reflect the changing

*Sen. Charles Percy is one of the top jewels in the G.O.P.'s new glamor line.*





*Congressional studio is setting for Rep. Howard Pollock to explain in film for Alaskans what Congress must do on inflation, waste and growing problems of government.*

more as individuals in the Senate, while in the House their numbers loom importantly.

#### **Their common concerns**

All of the newcomers share a general concern on such issues as federal spending and the nation's economic growth, but admit that many proposals are out of reach this session.

Many of the House newcomers express strong feelings on the ethics issue and Rep. Pettis speaks for the majority when he says there must be strong rules.

None of the freshmen Congressmen is proposing solo innovations in legislation nor do any feel there is any one single, magic cure-all for the nation's problems.

Because they are in the majority in both the Senate and House, the Democrats could, on a strict party line vote, win any issue handily. Neither party, however, can exercise strict control. Both have independent, strong-minded members with tough-to-change views about much legislation.

The Democrats are as aware as the Republicans that this session is a showcase. And that most of the publicity about bright, new faces has been one-sidedly G.O.P. **END**

## **THE ELEPHANT GETS GLAMOR** *continued*

philosophy of these younger people as they meld into the work force and into the civic stream.

"Let's face it," says Rep. Bush. "The Republicans have got to present some kind of image of intellectual capacity, too. The Democrats don't have a lock on brains. But they have put over this image. We've got to show some zip."

Most members of the 90th Club back fully G.O.P. views on revenue sharing with states and on tax credits in various fields. (A good many Democrats support these proposals, too, though key Congressmen candidly admit the chances for such tax credit legislation this session is slight.)

Tennessee's Sen. Baker puts federal revenue sharing as his No. 1 legislative goal and feels this is one way to deter continued federal growth. He also believes air and water pollution rates a full-scale attack.

The war in Viet Nam overshadowed everything else in Sen. Hatfield's campaign, but he is much concerned over natural resources, particularly water, the nation's draft law and oceanography—seeing the sea as a source in solving the world's food problem.

Urban problems are a prime concern for Sen. Percy, tagged by many

as a dark-horse candidate for the G.O.P. Presidential nomination in 1968. So are manpower training programs.

Sen. Brooke, the first Negro elected to the Senate by popular vote, has quickly built tremendous respect and has a goal of "being a good, effective Senator."

The first-termers are spotlighted

*Rep. James Gardner, young North Carolina businessman, voices strong views on big issues facing Ninetieth Congress.*

PHOTO: DENNIS BRACK—BLACK STAR





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## LABOR'S PITCH AT BARGAINING TABLE

continued from page 43

largest increase in the past decade. In fact, it was 30 per cent bigger in 1966 than for the whole period from 1961 to 1965.

The AFL-CIO says:

*"In the manufacturing sector of the economy, unit labor costs actually fell 1.6 per cent between 1960 and 1965, while the wholesale price level of manufactured goods increased 1.7 per cent—about as much as the drop in the unit labor costs. In 1966, unit labor costs of industrial goods rose 1.7 per cent, as a result of increased employer contributions to social security and the attempt of workers to catch up with rising living costs. But wholesale prices of manufactured goods jumped 2.8 per cent."*

The truth is:

Between 1960 and 1965, unit labor costs did drop—because business invested billions of dollars in more efficient machinery and equipment. But other costs—like the cost of raw materials—rose.

Hourly labor costs for private, nonfarm industries climbed 7.6 per cent. But the Council of Economic Advisers' statistics show that the price of industrial products went up only 2.1 per cent and productivity of workers went up only 2.8 per cent.

So the cost of labor per unit of output had a net increase of 4.7 per cent.

The AFL-CIO says:

*"The lack of balance, indicated by these trends, can be seen in the record of the six years, 1960-1966."*

*"Corporate profits skyrocketed 60 per cent before taxes and 80 per cent after payment of taxes."*

*"Dividend payments to stockholders rose 56 per cent."*

*"Factory workers' weekly take-home pay increased merely 24 per cent, and in terms of buying power, only 13 per cent."*

*"Total wages, salaries and fringe benefits of all employees in the economy increased only 45 per cent, reflecting the substantial increase in employment as well as gains in wages and salaries."*

The truth is:

A 24 per cent increase in the hundreds of billions paid employees is a much bigger push toward inflation than a larger percentage hike in the much smaller sum for profits and dividends. (See "Why All the Con-



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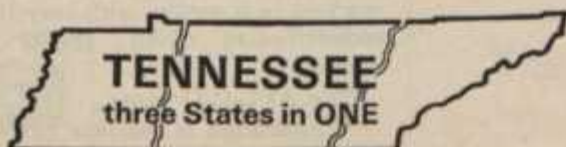
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## LABOR'S PITCH AT BARGAINING TABLE

*continued*

fusion over Profits?" September, 1966.)

Regarding profits, the AFL-CIO resorts to an ancient statistical ploy—that of picking as a base year one that best suits its argument. It picked 1960, a year in which profits had plunged \$1.8 billion from the previous year, and compares that with the present.

Even so, over the entire six-year period, starting with the low-profit year of 1960, employee compensation rose by \$139.1 billion, profits before taxes by \$29.9 billion, and dividends by \$7.5 billion.

The "mere" 24 per cent increase in take-home pay was still four per cent higher than the increase in nonfarm output per man-hour during the period. And most of the hike in output was due to better equipment, paid for from the owners' profits.

During those six years, wages, salaries and fringe benefits shot up 47.3 per cent, the President's Council of Economic Advisers reports.

Even after allowing for higher prices, disposable personal income jumped 32.8 per cent. Employment at the same time increased only 11 per cent.

The AFL-CIO says:

*"The President's Council of Economic Advisers reports that the after-tax profit rate of return on the net worth of manufacturing corporations in 1966 was higher than in any prior year since the highly inflationary year of 1950. Indeed, after accounting for changes in measuring depreciation charges, the rates of return in 1965 and 1966 were about as great as in the lopsided 1920's."*

The truth is:

The AFL-CIO fails to mention what else is said in the same statement, namely:

*"The record shows, however, that attempts on the part of unions to redistribute income from profits to wages through excessive wage increases in high-profit industries results primarily in higher prices in those industries."*

*"When this happens, the effect is to redistribute real income from the rest of the community—who are mostly other wage earners—to the workers in question, with very little redistribution from profits to wages."*

The AFL-CIO says:

*"Restoration of balance between*





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## BIG LABOR'S PITCH AT THE BARGAINING TABLE

continued

wages, prices, profits and business investment is essential to provide a sound foundation for sustained economic growth, as well as a more equitable distribution of income.

"Both justice and economic good sense support trade-union efforts to raise the buying power of workers' wages. A continuing lag of real earnings behind the nation's rising productive efficiency would leave workers with a continuing decline in their share of the value of national production. Moreover, it would lead to a serious weakening of consumer markets."

The truth is:

See "What Your People Should Know About: Our Business System" (page 46) for an explanation of why the consumers—not union statisticians—are the ones who really determine the "balance," the economic growth and the income distribution.

What exponents of planned economies can never agree on is how they will know when the sought-for economic balance actually has been achieved and who should be sacrificed to achieve it.

If the unions are really concerned about a serious weakening of consumer markets, they should take stock of the fact that:

- Unjustified raises in wages lead to increased prices.
- If customers choose not to buy at these higher prices, the result is curtailed production.
- When production slows, consumers suffer a loss of potential goods and services. (See "Open Letter to Betty Furness," page 44.)

The AFL-CIO says:

"American workers are justified in seeking wage increases to offset past price increases that have washed out part of the buying power of their earnings. And they are justified in seeking to improve their standard of life."

The truth is:

All persons—employees and employers—are justified in seeking to improve their standard of life, of course. But to imply that employers, who are paying record high wages already, are trying to improve themselves at the expense of employees is a canard as old as Karl Marx. Any decrease a worker may feel in the buying power of his pay envelope is due very little to the price rise.

The real culprits are the greatly increased sums withheld from pay

checks, almost all of which the unions have clamored for. Included are fatter social security taxes and union dues to help support lobbying for still more expensive, inflationary welfare programs.

If unions had not gotten a cent in wage increases this year, wages would still have gone up tremendously.

This is due mostly to deferred wages—those contracted for in years previous to 1967. Some 3.8 million workers, mostly factory workers, will get these deferred wage hikes this year. They range from 7.3 cents an hour for some service workers to 23.7 cents an hour for construction workers.

There are also more than 2.5 million workers covered by cost-of-living, escalator clauses which automatically lift wages as prices rise.

Increases in minimum wage rates also will bloat employed persons' average wages this year, but they alone may not increase total compensation, because they are throwing many low-skilled workers out of work and onto welfare rolls.

Added to all this are increased fringe benefits of every conceivable variety taking effect this year.

The AFL-CIO says:

"In the American economy, the major mechanism for achieving needed increases in real earnings is collective bargaining between unions and employers—within the framework of the different industries, occupations and markets, as well as the national economy."

The truth is:

The major mechanism that has increased wage rates, as well as jobs, in this country has been a combination of capital buildup, the creative ingenuity of individuals spurred by reward and profit-stimulated industrial expansion.

The AFL-CIO says:

"The extraordinary profits of recent years and the economy's rising productivity make possible such increases in workers' buying power without raising the general price level. The profits and increasing productivity of many companies are so high that they can increase the buying power of their employees and simultaneously cut the prices of their products."

The truth is:

In general, neither unions nor businessmen determine price levels. The customers do, through the

many voluntary choices they make with their purchases. And customers care not a whit about the costs or problems of the manufacturer, distributor or merchant.

The general price level is determined by the supply of and demand for countless goods and services.

As for the increasing productivity, President Johnson in his economic message said:

"This can not go on indefinitely. In 1965 and 1966, average use of plant and equipment approached 'preferred' rates, and overhead labor had to be expanded. As a result of these factors and need for major, rapid adjustments in the composition of employment, growth of productivity slowed in 1965 and 1966 to just under three per cent, slightly below the long-term trend."

The AFL-CIO says:

"The AFL-CIO has opposed the Council of Economic Advisers' wage guideline from the very beginning. And we likewise oppose the Council of Economic Advisers' new strictures against cost-of-living escalators and other collective bargaining measures to offset the impact of an increased price level on workers' earnings."

The truth is:

More than just opposing the wage guidelines, the AFL-CIO at the bargaining table has completely ignored them.

The AFL-CIO says:

"In 1967, as in the past, the AFL-CIO will continue to support its affiliated unions in seeking economic justice for their members."

The truth is:

As in the past, we can expect the AFL-CIO's brand of "economic justice" to include denying the businessman the source of his livelihood, namely his profits, and freezing out other nonunion people from the source of their livelihood, namely their jobs.

The free market, in wages as well as prices, provides the only true economic justice for all. **END**

REPRINTS of "Big Labor's Pitch at the Bargaining Table" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C., 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.





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# HOW YOUR TAX MONEY IS WASTED

Washington throws away a mint of money on overlapping, boondoggling projects, a Nation's Business survey shows

Uncle Sam, still trying to right some of the wrongs inflicted on the American Indian, was determined to bring Twentieth Century living to the small Quinault tribe which inhabits the rich fishing and timber country of Washington State's lush Olympic Peninsula.

The Bureau of Indian Affairs last year launched a \$200,000 project to provide some 20 all-electric homes for the Quinaults that would be the envy of any Indian. The first units, completed this winter, boast the latest in gracious, all-electric living—electric ranges, electric refrigerators, electric baseboard heating, electric washers and driers and electric hot-water heating.

In February the first seven families abandoned their run-down shacks and moved into their new dwellings. But one thing was missing: Electricity. The nearest power line was 15 miles from the tiny Indian community of Queets, and somebody had neglected to consider that you need electricity to bring livability to an all-electric home.

The Quinaults are a stoic people and they improvised in the best tradition of the frontier Redskin. They bought kerosene lamps, gasoline heaters and stoves.

Four federal and three state and county agencies have been fighting since early last winter, trying to pass the buck to one another for the oversight. The Bonneville Power Administration is involved. So is the Rural Electrification Administration which has had the money available for some months to ex-

tend the power line to the Indian village. National Park Service still can't decide whether to let the line go overhead or underground (the line would cut across Olympia National Park).

The blacked-out Redskins are an apt illustration of a pervasive federal ailment. President Johnson is still keeping the lights down low at the White House. But waste—much of it concealed and some of it exposed—continues to permeate the federal establishment.

And while office heads diligently follow the Chief Executive's admonition to economize on filing

cabinets and paper clips, you can easily obtain a government grant to study everything from why butterfly wings are yellow to the history of comic strips.

Waste running into the hundreds of millions abounds in the national government at a level unprecedented in history. It's all around you. Some of it is shocking, but most of it is accepted as a necessary way of life in a big government.

The staff director of one of the most important committees of Congress—one charged with keeping a close rein on federal spending—finished flipping through the 1,916







*Government built all-electric homes for Indians in State of Washington, but there is no electricity in area. Indian girl peers into idle electric refrigerator, above. Instead family now uses a gas refrigerator, also shown. Indian couple is shown on opposite page with oil lamps. Typical home is below.*



PHOTO: SIDNEY A. BARBER—SEATTLE TIMES

pages of the 1968 national budget during an interview with a NATION's BUSINESS editor then shrugged his shoulders:

"Government waste? It's all over the place. But how do you root it out?"

"The sad fact is the government has grown so huge you just can't put your finger on where and how all the money is being spent.

"We look for waste all the time but it's elusive. Not even the hardest-working committees of Congress or the army of auditors in the General Accounting Office can turn it all up.

"Suffice it to say, we're doing the very best we can."

#### **Why they're alarmed**

Everyone is alarmed over this proliferating government waste—the taxpayer, the businessman, many members of Congress, Republicans and Democrats alike.

Flagrant examples of bungling abound:

- Luxury lodges in Oklahoma, ARA financed, \$600,000 in the red. Cost: \$10 million.
- Housing built so deep in the boon-docks that Rio slum-dwellers prefer their shantytown shacks. Cost: \$3.5 million.
- USDA rush order for typewriters to meet a deadline that didn't exist. Cost: \$1.5 million.
- WAVE barracks in Maryland, built after Navy ordered the women shipped to Florida. Cost: \$1.2 million.
- Misfit locomotives shipped to Thailand. Cost: \$1 million.

Growing concern over the mushrooming scope of the problem is perhaps best illustrated in some recent developments:

- The Joint Economic Committee of Congress, with a majority of its Democratic and Republican members approving, hoisted a warning flag against steadily mounting federal spending. It urged in a report:

"Federal expenditures that are not absolutely essential to national defense or our economic growth or welfare must be sharply reduced. Congress must find ways to reduce expenditures for fiscal 1968 by at least \$5 billion to \$6 billion per year."

- Groundwork is being laid for a



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## HOW YOUR TAX MONEY IS WASTED *continued*

broad-scale investigation by the House Appropriations Committee against wasteful and needless government spending. Heretofore, such investigations have been undertaken by individual subcommittees, seldom if ever by the full committee itself.

- The General Accounting Office, an independent arm of Congress, is quietly planning to shift its attack in an effort to unearth even more waste than it has in the past. To bolster its already formidable force of 2,200 auditors, GAO will start recruiting specialists in such fields as economics, industrial management, engineering, public and business administration, mathematics and other fields.

- Chairman George Mahon of the House Appropriations Committee has called on each member of the House to tell him personally where every cent of "fat" can be slashed from the massive federal budget.

Rep. Mahon's concern came through loud and clear in these words:

"It does look a bit incongruous that at a time when the gross national product is estimated to be almost \$800 billion, and when the war in Viet Nam is requiring less than four percent of the gross national product, that we should be facing a budget deficit of between \$8 billion and \$18 billion in a single year."

### **The tip of the iceberg**

Hundreds and hundreds of examples of sheer waste are brought to the public's attention each year. They are irrefutable.

Many do not exceed a few thousand dollars but others soar into the millions. This is the waste that comes to light. It may be only the tip of the iceberg.

Perhaps the single major culprit is duplication. Everywhere you turn you find one government agency's work overlapping another's. For instance:

Today, there are more than 260 federal poverty programs administered by 16 separate departments and agencies. Five agencies are involved in administering federal programs for community water supply, sewers and sewage treatment facilities. Almost 60 programs are devoted solely to vocational education.

"Such waste and inefficiency need not be tolerated," says Sen. James B. Pearson (R-Kans.). He is calling for a new Hoover-type Com-

mission on government economy.

It takes people to run all these programs. They are not in short supply. The ranks of government workers is expanding constantly.

In December, 1965, President Johnson made headlines when he announced he was cutting the ceiling on federal employees by 25,000. Well, the ceiling was lowered, but not the number of men and women on the government payroll.

When the President assumed office in November, 1963, there were 1,444,409 civilian employees in the executive branch of government, apart from civilian employees in the Department of Defense.

By December, 1965, when he called for a lower ceiling, their numbers had risen to 1,493,214.

Since the ceiling was lowered, some 300,000 additional nondefense workers have been added. Including pay raises this increase is costing taxpayers another \$725 million annually.

Almost everyone you talk with—in Congress or in the government agencies—will say the place to look for waste is in the Department of Defense. With some \$75.5 billion, more than half of the budget, going into defense this seems understandable. However, it is also the most difficult area to smoke out evidence of waste.

Congressional committees devote endless hours going over defense spending, yet their members agree discouragingly this is an almost impossible task. Size, security and the inevitable confusion arising from the Viet Nam War make the Pentagon almost opaque.

It's just about anyone's guess how much money gushes down the drain in the government's far-flung research programs. At present \$16 billion is channeled into federal research and development. This means the government is supporting two thirds of the nation's R&D and financing 75 per cent of all research going on in universities.

Research provides a typical example of how the government operates.

Some 40,000 university professors are spending all or part of their time exclusively on research for Uncle Sam. This takes them away from the classroom.

At the same time the government spends millions on aid to higher education to produce the same kind of talent to make up for the shortage of university instructors.

A similar incongruity exists in the U. S. student exchange program. Thousands of foreign students come to this country to learn and then are unwilling to return home. Many take up permanent residence here. Their own countries are angered over this "brain drain" by the United States.

But we have a way of correcting that. Our Agency for International Development turns around and trains scientists in the very countries hurt by the "brain drain."

### **What Library of Congress found**

A special study by the Library of Congress tells another aspect of the story:

"The federal government now spends nearly \$4 billion annually on research and development in its own laboratories, but it does not know exactly how many laboratories it has, where they are, what kinds of people work in them or what they are doing."

If you're worried about environmental pollution, don't. The government has research under way in 192 laboratories run by nine separate agencies.

Once the government builds a laboratory it almost never closes it down. The Library of Congress even discovered that when Uncle Sam wants to undertake a new research project he doesn't always seek out an existing laboratory—he simply builds a new one.

The Library of Congress investigation turned up these findings:

- Some agencies are uncertain about the existence or location of their own laboratories. In others, top management gives conflicting answers on the work being done.

- Complete information on projects being undertaken by federal laboratories and the cost of those projects is not available.

- The cost of research performed by these laboratories cannot be determined in a uniform manner because of variations in accounting for major items of cost, such as expensive equipment, even within a single agency.

Research activity hasn't escaped the attention of the Office of Economic Opportunity whose purpose is to concentrate on the so-called war on poverty. As of June 30, 1966, OEO had dished out \$7,788,365 on assessments, evaluations and inquiries. It is not yet clear how many people this has helped or will help remove from the public dole.

If heavy research spending will accomplish international control of arms the world is in good shape.



The U. S. Arms Control and Disarmament Agency, created by the late President Kennedy in 1962, already has kicked out \$25 million for various research projects. This is only slightly less than half of its total \$53.8 million appropriations.

No federal agency is willing to settle for less than the most ambitious research program as long as Congress keeps the money rolling in. At least one agency—the Atomic Energy Commission—was prepared to admit this. It happened during a hearing before a House appropriations subcommittee when the AEC appeared to justify a request of \$5.37 million for research on “terrestrial and freshwater ecology.”

After an AEC witness reeled off a long list of items which the agency would research, acting Chairman Jamie L. Whitten (D-Miss.) interrupted to point out that the program as presented was projected at least five years ahead.

“What do you hope to accomplish by that time,” Rep. Whitten inquired.

“By that time we hope to have an appropriation of \$20 million,” the witness replied quite candidly.

The taxpayer gets nicked two ways when waste occurs in federally financed manpower programs, which now cost \$2.1 billion a year. When they flop, they miss the President’s goal of transforming “tax eaters” into taxpayers.

#### **Competing against each other**

In a recent survey of federal manpower programs for the Institute of Industrial Relations of the University of Michigan and Wayne State University, Sar A. Levitan and Garth L. Mangum cite these “horror stories,” admittedly not typical:

- The personnel director of a large retail firm complained that job developers from as many as 70 different federally funded local programs visited his office regularly seeking jobs for their disadvantaged clients.
- Operators of federally financed, on-the-job training programs, which reimburse employers for training expenditures, have been known to bid against each other with tax money to persuade employers to establish programs.
- Employers already conducting employee training at their own expense have been offered training subsidies for these employees.

How can this happen? Testifying before Congress, Labor Secretary W. Willard Wirtz gave a clue:

“There are 15 to 30 separate manpower programs administered by

public and private agencies, all supported by federal funds, in each major U. S. metropolitan area.”

House Republican Leader Gerald R. Ford of Michigan is among a growing number of Congressmen disturbed over heavy spending.

“I’m talking about millions of dollars spent on beautifying America while the number of GI’s killed or wounded passes the 50,000 mark in a war costing us nearly \$2 billion a month,” he points out.

Rep. Ford says he checked into reports the Department of Health, Education and Welfare was planning to spend a half-million dollars to develop a dance and theater curriculum and found it was true. The money was released under Titles 3 and 4 of the Elementary-Secondary Education Act.

That’s federal aid to elementary schools and high schools.

The money is to establish laboratory theaters in Providence, R. I., and New Orleans, La. The idea, Rep. Ford was told, is to find out

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### **Are these really Washington’s views on welfarism?**

See page 7,

#### **Washington: A Look Ahead**

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how to use the arts to teach youngsters who can’t learn from books.

#### **The fat in the budget**

“The President’s \$135 billion fiscal 1968 budget not only is fat—but it has plenty of fat in it,” Rep. Ford asserts. “We in the Congress who care about the taxpayer intend to cut out as much of it as we can. We know we can do it without cutting necessary services. We know the people want it done.”

The Economic Development Agency, while less controversial than the old Area Redevelopment Administration it replaced, has been getting its lumps in Congress for some of its lending practices.

EDA put up \$975,000 toward a \$1.5 million clay pipe plant at Seminole, Okla., a project criticized by a special subcommittee of the

House Public Works Committee. Said the subcommittee:

“The existing plants (in the area) have indicated that statistics will show that existing facilities serving the area have more than sufficient capacity of products available to serve the needs of the area and that the Administration did not properly investigate the markets before granting the loan.”

Right now the agency is trying to bail out a project it inherited from the old ARA—two plush lodges with recreational facilities on a man-made lake in Oklahoma. They were financed by a \$1.3 million grant and a \$9 million loan.

So far, the operators of this taxpayer-supported spa have missed nearly a half-million dollars in interest payments and a \$110,000 payment on the principal. At one point recently EDA was thinking of financing, again at public expense, a professional management study to figure out how to make the project pay off.

Waste underlies much of the criticism leveled at foreign aid, even among friends of the program. Rep. Thomas B. Curtis (R-Mo.) told the House during floor debate this spring:

“My criticism has been directed . . . particularly to the manner in which the money is spent or invested because, in my judgment, it has been grossly misspent and invested.”

Rep. Charles Goodell (R-N.Y.), following an inspection tour of Brazil in which he surveyed U. S.-financed school construction, reported to the House:

Many schools suffered from inadequate construction and in some there was danger of roofs or walls collapsing. Contracts were awarded to unregistered firms on a noncompetitive basis, with changes later permitting contractors to double the award price.

Schools constructed under the agreement were allowed to deteriorate with no provision in most cases for even minimal maintenance.

Probably nowhere in the world do people live in greater squalor than those unfortunates who inhabit the miserable favela (shantytown) section of Rio de Janeiro. A generous America contributed \$3.5 million toward construction of 19,000 homes to give these people a better way of life.

But the project was a complete flop. The homes were built 30 miles from Rio and the intended residents would have had to spend up to a third of their paltry income mere-



ly commuting to jobs in the city. Consequently, they chose to remain in the favelas. Says Rep. Goodell:

"When it is understood what \$3.5 million could have accomplished in developing resource-backed community action within the favelas themselves, the enormity of this kind of waste is galling."

### **HEW hands it out**

You might also ponder the attitude toward the public dollar of one giant agency—HEW.

Both the General Accounting Office and the House Government Operations Committee have been trying to recover millions of dollars spent by HEW that are piling up in two quarters. Some institutions receiving federal research money from HEW far in advance of the time they would use it placed it in interest-bearing investments. Other institutions received overpayments from the government as a result of a formula based on a percentage of total research costs rather than actual expenses incurred.

Both the interest and the overcharges belong to the government, it is contended. The National Institutes of Health has been a major offender. Potential recovery from one large grantee alone would amount to \$412,000 in overpayments. At one point last year an appropriations bill carried a specific provision forbidding any attempt to recover these funds. HEW argued that if it tried to collect it would cost more than the amount of the claim.

Chairman Lister Hill of the Senate Labor and Public Welfare Committee looked into the matter and found some gross inaccuracies in the HEW explanation. He virtually accused the agency of lying. Said the Senator, "We now have the facts and find that the Department's statement is not justified by the facts." The provision barring recovering of the funds was promptly knocked out of the bill.

Unquestionably, war and waste are practically synonymous. American observers visiting Viet Nam question, however, how much waste could be avoided by better planning and organization.

Sen. Edward Brooke (R-Mass.) is one who recently surveyed the tangle and confusion of American supplies and materiel pouring into that embittered war zone. On his return he said:

"The problem is one of seemingly

unresolvable congestion. Commodities, sometimes perishable ones, do remain unloaded in ships and barges docked in the port for weeks and sometimes months. Poorly planned shipping schedules contribute to this as does the fluctuating Saigon market.

"Goods ordered when prices are high may not arrive until such prices have fallen considerably. In such an event, consignees often prefer to leave the cargo in port rather than claim it and suffer a loss caused by low prices."

In this connection, Rep. Clarence Long (D-Md.), member of the House Armed Services Committee, wrote the Appropriations Committee's Chairman George Mahon:

"There is an urgent need for a Congressional investigation into the continued accusations of waste, port congestion, inefficiency in cargo operations. . . ."

He also complained that Congress has lost control of over \$600 million of deferred military construction—projects approved in one year but not necessarily built until several years later.

For example, says Rep. Long, a WAVE barracks was recently completed at Bainbridge, Md., to the tune of \$1.2 million. It was started in late 1965, the same month a decision was made to move the whole WAVE facility to Orlando, Fla.

There is a natural suspicion that some segments of the military are taking advantage of the war crisis to feather their nests while the money is flowing freely.

Rep. Robert L. F. Sikes (D-Fla.), chairman of the Military Construction Subcommittee of the House Appropriation's unit, hints at that in this statement:

"Obviously, some items are more critical to the war than other items. In some areas, it may be, and let us be frank about this—it may be that the services have taken advantage of the present situation to obtain facilities when they could not otherwise have obtained them at this time."

### **USDA's oversight**

Waste runs rampant in other big federal departments. Last year the Department of Agriculture placed a rush order for 2,900 special typewriters which cost more than \$500 each. As a consequence, USDA spent \$1,500,000, or \$500,000 more than necessary if it had taken competitive bids on the machines.

Why the rush?

The Agricultural Stabilization Services said it had to meet a deadline of Jan. 1, 1967, for reporting on payments to farmers. If the Department had merely checked, it would have found that an amendment establishing the deadline had been defeated and was not in the law.

In another area, USDA was convinced that meat packers and processors were moving unduly into the field of commercial feeding of cattle which the Department felt should be handled by the farmers. Claiming this was boosting cattle prices, it ordered a study to prove its point. According to reports, the study cost some \$50,000.

The industry questioned the honesty of the USDA investigation. Not only did the Department use five-year-old statistics but it reached its conclusions—unfavorable to the industry—after talking with only a half-dozen companies.

So now USDA is making another study. It is expected to cost almost twice as much as the first one. But this time it is interrogating 130 companies and using statistics compiled in 1965 and 1966.

At least the industry feels it will get a fairer shake from the government, though the initial \$50,000 study was a waste.

It's one thing to send the wrong sparkplugs to an Army depot in Germany but how do you explain sending 12 locomotives of the wrong kind to Thailand? That's what the Army did and it was caught flat-footed by the General Accounting Office.

It was a simple mistake. Army supply officials neglected to determine exactly what locomotives were best suited for Thailand's needs. The price tag for buying and shipping a dozen engines across the Pacific: \$1 million. But this was eventually rectified. The Army went out and bought a dozen more of the right kind and plunked down \$2.3 million to correct the goof.

There are definite rewards in being a rural mail carrier if you get the right route. Some lucky carriers in the Cincinnati postal region were making up to \$8.41 an hour until GAO blew the whistle.

For years the Post Office Department has been paying its rural carriers salaries based on the length of their route rather than on the amount of mail they dropped off.

Under GAO prodding the Post Office is now paying its carriers salaries based on a more realistic formula—how much work they actual-





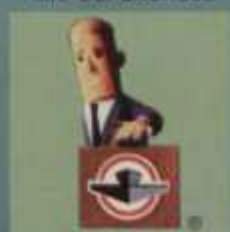
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## HOW YOUR TAX MONEY IS WASTED

*continued*

ly perform. Mountain out of a molehill? It's now saving the taxpayers an estimated \$58 million a year.

### Plum for Poe scholars

You can study virtually anything in the world if you know where to find the right grant in Washington. And one of the most intriguing places for heady subjects is the National Foundation on Arts and Humanities.

How about a \$5,000 grant to develop a "bibliography of the criticism of Edgar Allen Poe"? Sorry, somebody got that one first.

Rep. Durward G. Hall (R-Mo.) has been keeping a close lookout on goings-on at NFAH and he's disturbed over some of his findings. On the Edgar Allen Poe study he wonders why you couldn't step into any good library, check the card catalogs and come up with a substantial list of anti-Poe writings.

The Foundation is passing out almost \$1 million for such studies. For instance, Uncle Sam is spending \$18,800 to ascertain whether Edmund Burke wrote the "18th Century Journal," \$12,650 for a "Literary Investigation of American Popular Culture."

Dr. Hall (he is a physician) is particularly exercised over one such grant and went before a House Appropriations subcommittee recently to complain. It involved an \$8,700 grant to Dr. David Kunzle of the University of California at Santa Barbara to study the history of the comic strip.

Dr. Kunzle, the Congressman revealed, is not an American citizen. Not only that but the professor has been actively opposing America's presence in Viet Nam. Said Dr. Hall:

"He has no reservations about biting the hand that feeds him, about accepting funds from our Treasury while giving aid and comfort to those who are daily spilling American blood, and whose taxes incidentally help pay his federal subsidy."

Congressman Hall is not against comic strips, he assures you. Especially Dick Tracy. And on that score he told the subcommittee:

"Perhaps if more members of the Supreme Court read Dick Tracy they would have a greater awareness of our rising crime rate and some of the 5-4 decisions of the Court would have been reversed."

**END**



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# WHO REALLY ARE YOUR BEST EMPLOYEES?



How do you rate your employees?

By their personality, past performance or what they accomplish?

Unfortunately, no matter which method you use it could be worthless.

For decades, companies have said: "People are the most important part of our organization." Then, in an effort to learn more about their people, they set up an appraisal program.

Usually, this means an annual interview—and the filling out of a form—to evaluate an employee's work.

In theory, it's an all-important management tool. It's meant to tell you whether an employee should be promoted, trained, transferred, given a raise—or fired.

And it is supposed to help the employee develop his skill and ability to the fullest.

## No foolproof approach

But it usually doesn't, and here's why.

Originally it was thought that if people are the most important part of an organization, they should be analyzed to determine just what kinds of people

they have been during the past performance period. So, such things as initiative, common sense, ambition, tact, sincerity and drive were rated for each employee. No two companies have exactly the same list of traits but they all have a common fault—giving a numerical value to qualities which are just not that measurable.

There are many other pitfalls in this approach:

- Who decides which traits are going to be rated?
- Can there be agreement on a definition of each one?
- Are some traits an asset in some jobs and a liability in others?
- Should all the traits have the same relative value?
- Can prejudice by the rater be adequately overcome?

So the designers of appraisal forms said: "Let's change the questions. Let's be concerned about performance itself, not personality traits."

Thus, instead of an arbitrary list of personality traits, the appraiser finds questions like these:

- How well does this employee overcome problems?
- Does this employee display any special qualities when working with his peers?
- How does this employee perform under pressure?

But typical answers read like this: This employee shows a lot of common sense in overcoming problems. He is very cooperative with his peers. He works calmly under pressure.

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What happens is obvious. The questions don't get any better and the answers are still trait-oriented.

Finally, many companies turned to a goal-oriented appraisal. They feel that the focus should be on measurable accomplishment. At any given moment an employee should be working at something that has a quantifiable goal that contributes to the company's major objectives.

The alleged advantages of such an approach are many. Goals describe why a job exists in the first place. We don't in a sense have a man in the organization to operate a machine; we have him to produce so many units, meeting certain specifications, at a certain cost by a definite time.

Goals are thus both definable and measurable.

Any drawback to this approach? Unfortunately, yes. There is at least one serious built-in pitfall that cannot be overcome. It has to do with timing.

Performance appraisal usually calls for an evaluation of the employee's work on an annual or semiannual basis. Unfortunately, the goals that any employee works towards seldom have exactly a 12 month or six-month deadline.

Some of his goals will take one month to achieve, others three months, a year or more.

It does not take a psychologist to know that any discussion that praises accomplishment of a task



DRAWINGS BY CHARLES BORN

should occur at the time of accomplishment, not some months later.

#### **Bias spoils results**

More often than not, the two people taking the biggest parts in performance appraisal are the employee and his immediate supervisor.

In recent years some organizations call on the employee to make an appraisal of his own performance. This is held to be consistent with participative management, and it recognizes the fact that the employee probably has as good an idea as anyone about how well he has done.

Unfortunately, when told to do a "self-appraisal," many employees are not quite sure what this means unless it is just a matter of filling out a form.

Other procedures call for a more-heads-are-better-than-two process. In these cases several people have a say in evaluating the employee's work. Review committees sometimes are set up for this purpose.

Several organizations have tried peer ratings—where an employee is evaluated by his fellow workers.

A few organizations have tried subordinate appraisals. The reasoning behind it is that if a man supervises others, those men are in the best position to know just how well he performs this role.

At best, the formal evaluation of one human being





## WHO REALLY ARE YOUR BEST EMPLOYEES? *continued*

by another is bound to be contaminated by some degree of subjective bias. When it comes to peer ratings and especially ratings by subordinates, these prejudices often run wild.

### Other basic flaws

Apart from human bias, the appraisal system suffers from other common flaws. Among them:

- **Lack of top management support.** An old problem for personnel administrators, this is especially critical when it comes to appraisal programs. Most supervisors do not like to evaluate other people. When they know top management gives the program lip service only, they find it easier to ignore it.
  - **No reward.** Unless a supervisor recognizes the long-range satisfaction to be had in helping an employee develop through frank appraisals of his performance, he sees no personal advantage to himself for the time and effort required to conduct them.
  - **Advantages not made clear.** The benefits that are supposed to result from appraisal systems include improved performance, employee development and better utilization of manpower. These are the reasons supervisors should want to support and carry out the appraisal program.
- Unfortunately, these benefits are not usually made clear to supervisors. Instead it is the mechanics of the appraisal system, such as procedures and forms, that are emphasized.
- **Inadequate training.** To become skilled at sitting opposite a subordinate and fairly evaluating his past performance requires considerable training and practice.

Strangely, many organizations feel supervisors can pick this skill up, not through training, but simply by reading a company manual.

With today's emphasis on participative management, two-way communication and the need to keep employees informed, the interview is considered essential to employee rating.

### Final fiasco—the interview

But traditionally, the supervisor looks forward to appraisal interviews with trepidation, conducts them reluctantly and is immensely relieved when they are over. Employees themselves are hardly any more receptive to the idea.

With two strikes against it from the start, it's hardly surprising that the interview is usually not a howling success. Aside from this general mutual apprehension that so often permeates the interview, there are some specific reasons why these face to face discussions about the employee's past performance do not usually come off well:

- **Too often, the interview has no specific agenda.** For example, instead of using the time to summarize systematically just what the employee has accomplished, the interview often is used to discuss whatever comes to mind. Usually what comes to the employee's mind is a raise in pay. Usually what comes to the supervisor's mind is a whole series of little criticisms which he has, in fact, saved up for just this occasion.

Small wonder the interview sometimes rambles aimlessly, appears to be getting nowhere and seldom does.

- **Too often the interview is personality centered.** Personality traits are important, but they have been pretty well debunked as yardsticks to measure past performance. When both manager and employee anticipate the interview as a time when the subordinate's personality will be dragged out for an airing, small wonder neither of them look to the experience with pleasure.

- **Any discussion between boss and employee tends to be one-sided.** When the communication is one-way only, it probably means the boss is telling the employee what he has been doing wrong and right. When it's all over, chances are good the employee will not agree with every one of his supervisor's judgments.

Furthermore, if the boss has been an autocratic supervisor all year, but now decides to unbend, he may be disappointed. If the employee suddenly is invited to speak up on this one occasion, the result is likely to be bewilderment, rather than a free exchange of ideas.

### Forms share the blame

Forms are nearly as much at fault as the interview itself for failure of employee rating systems. To many managers performance appraisal means only one thing—filling out a form.

Forms may be a key part of an appraisal system, but when filling them out becomes an end rather than a means, obviously the tail is wagging the dog.

By its very nature, a form is a limiting analytical tool. It has room for only so many questions.

Yet the appraisal interview itself should certainly be an opportunity for manager and employee to conduct a wide-ranging discussion.

When the manager uses the form as a guide, he





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## WHO REALLY ARE YOUR BEST EMPLOYEES? *continued*

may limit his evaluation to those items shown on the form, and ignore others that should rightfully be taken into consideration.

Furthermore, no one form can adequately cover the diversity of positions found in most organizations today. Yet to facilitate administrative bookkeeping, often just one design is used.

Also, unless the form is goal-oriented, it probably tries to measure something that is not quantifiable. It often tries to measure such imponderables as reliability, integrity, loyalty, imagination and enthusiasm.

Finally, too often the form is simply filed and forgotten.

A few progressive corporations are experimenting with automated manpower inventory systems. They are intended to make it easy to locate the right employee for the right job. Employees who are capable of filling a vacancy are identified from data fed into a computerized memory system.

But even here there is a controversial question. Namely, how important a part should past performance play in filling the job?

Quality of performance is subject to change. A man performing well today may, in fact, be haunted by a single poor record of performance that is still filed or remembered even though it was made years ago.

Using forms as part of an appraisal system has so many serious disadvantages that it is certainly one of the main reasons why such systems fail.

Perhaps instead of trying to determine through the years what type of form is best, business firms should have been asking themselves a far more basic question: Should a form be used at all?

### **The real answer**

If performance appraisal has not proved the answer to a healthy employee development program, what



will? To solve that riddle we must first make certain what we want performance appraisal to achieve.

In general, the objectives include:

- Better use of existing manpower.
- Improved performance on the job.
- Periodic feedback to let the employee know how he is doing.

The answer to our predicament is not to forget performance appraisal, but to improve timing.

You should hold a frank talk with an employee about his shortcomings—but only when the shortcomings occur. You should discuss his achievement of goals—but when the achievement occurs. Ideas for his development should be discussed when you have those ideas, or he does.

If supervisors postpone discussion because company policy calls for a get-together only once a year, then the discussion becomes a mere formality conducted on an untimely basis, covering things which are difficult to recall, no longer of immediate concern and properly discussed only when they happened.

The point by now is obvious. To establish a climate of understanding, rapport, friendliness and team spirit with employees, a manager must do it on a day to day basis. If the manager and his people know what the goals are and how things are going, then there is no need for an artificial, belated, form-oriented appraisal system.

Mutual discussions between boss and subordinate, working together, and timely, informal progress appraisals should relegate the unsuccessful, outdated performance appraisal systems to management's junk heap. **END**

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## A VIET NAM IN THE AMERICAS?

*continued from page 37*

to run. Guatemalan crops have been set afire by guerillas, houses blown up in the night, livestock driven off, animals' throats slashed in the fields. Businesses have been shot up, laborers persuaded to quit, machinery wrecked and many wealthy Guatemalans have been kidnapped.

American companies and businessmen have been shaken by the six months of official state of siege and by terrorism. But thus far most of the damage has been done by Guatemalans to Guatemalans.

### Communist terrorists

Strong-arm groups have been furnished by the Guatemalan Labor Party which is communist, or by guerilla bands under Marco Antonio Yon Sosa or Cesar Montes.

Yon Sosa is the son of a Chinese father and a Guatemalan mother. His is the November Thirteenth Revolutionary Movement—a pro-Peking oddity.

Montes is a 25-year-old Marxist whose God is Stalin and whose prophet is Castro. He succeeded to command of the Rebel Armed Front last year when Luis Turcios Lima was killed in an automobile wreck. Followers say it was an "accident" on a mountain road which took Turcios' life.

Fidel Castro's example during the 1950's, when he gathered strength in the Sierra Maestra of eastern Cuba, was the shining light which led these bands of former army officers and noncommissioned officers into the Sierra de las Minas of eastern Guatemala in 1960.

There they hoped to organize a safe haven from which they could raid, pillage, terrorize. They intended to arm themselves while attracting hundreds of students to the mountains for weekend courses in demolition and the art of mayhem. Intellectuals were to come from Guatemala City, Antigua and other cities where communist activists newly arrived from Havana, Moscow, Prague and Peking would fire their enthusiasm for an upheaval.

That's about the way things worked out for two or three years. The communists got their advice from Castro. They were in constant radio communication with the bearded marvel of Havana who also sent, when he could spare them, guns and dynamite. There were comings and goings between the guerillas and brother bands in the hills of Bolivia, Colombia, Peru and Venezuela.

During April guerillas in Bolivia stepped up the pace of their attacks. There were reports that Maj. Ernesto Che Guevara, the master guerilla who acted as Castro's chief of staff, was coordinating communist terrorism in Central and South America.

Meanwhile, the mid-1960's were affluent years for business. Investment returns were high. Exports were up. Coffee sold better than it does now.

Then a new brand of extremists took the field, The White Hand.

In recent months The White Hand has scored successes of its own—chasing communists.

"We cannot leave punishment of communists to Guatemalan courts and we cannot wait for the army to bring in Reds," one White Hand leader told this writer in Guatemala City early this spring.

He and a Guatemalan girl—a White Hand auxiliary—had appeared at my hotel room after they learned an American journalist was in town. Both persisted in showing off their revolvers. The man's gun was obvious in a shoulder holster beneath his jacket. The girl carried a smaller gun in her handbag.

They offered to stage a raid in which they guaranteed "25 communists" would be killed. "We must take the law in our hands," the young man explained. "The courts are lined with Reds."

Today, The White Hand is considered by many Guatemalans and foreign diplomats to be as much of a threat to peace as the communists in the hills.

The Guatemalan Army finally has been ordered into the countryside by the new civilian government of President Julio César Méndez Montenegro. The president looks to the United States for stability and investment. Washington has confidence in him. His government is billed as middle-of-the-road but it includes communists in high ambassadorial and economic posts as well as military men who are as fascist as Benito Mussolini ever was.

### Attachés and advisers

The Pentagon and CIA have kept a guiding hand on the shoulder of the Guatemalan military through attachés, "advisers" and "friends." The number of U. S. Army advisers now teaching Guatemalans how to track down and catch communists "does not exceed 33," say U. S. diplomats and the Pentagon.

Considerably more than 33 advisers are here, say several unofficial sources.

U. S. involvement in Viet Nam once amounted to a few advisers. Now there are 425,000 Americans there doing considerably more than advising.

In Guatemala also are Cuban refugees who are experts in antiguerrilla warfare. Hundreds of other well-trained Cubans who could rush to Guatemala are in south Florida.

Cubans think that helping to destroy communist forces in Guatemala may be one way of getting back at Castro. It is said that a few of them were at the Bay of Pigs in 1961 and they can hardly wait to have another bash at communists—either in Cuba or in Guatemala.

It would be inconsistent with reality, out of tune with history, not to assume that the reins on the Cubans, the bits in their teeth, the money they are paid are not controlled by the CIA and the Pentagon.

The CIA oversaw preparation in Guatemala for the Bay of Pigs invasion. They used the estates of Roberto Alejos to the west of Guatemala City for a training ground.

Sr. Alejos, a charming, millionaire landowner, aristocrat and former presidential candidate, now seems out of the invasion business. Instead, he says, he is occupied with operating his properties and constructing "8,000 homes for poor villagers and small landowners." He is also interested in seeing a moderately rightist political party put together to offer an alternative to President Méndez Montenegro.

The United States has embroiled itself in Guatemalan politics many times before. Thirteen years ago the CIA moved to stamp out the first communist government in the Americas. Jacobo Arbenz Guzmán was the president and Washington would have none of him.

In 1951 a rightist Colonel, Carlos Castillo-Armas, escaped from an Arbenz jail and reached Honduras and Nicaragua.

In 1954, with CIA help, he rallied an army of 300 to 400. He was given two P-51 Mustang fighter bombers which dropped leaflets over Guatemala and occasionally unloaded a few bombs. He reportedly had use of a radio transmitter in an embassy in Honduras.

Col. Castillo-Armas' army marched into Guatemala and fought at Chiquimula, Gualan, Zacapa and Esquipulas.

Some Americans who knew of the CIA involvement at the time





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## A VIET NAM IN THE AMERICAS? *continued*

screamed for us to get out—just as some Americans now scream for us to get out of Viet Nam. President Eisenhower held steady and the communists of Guatemala were put to flight.

Col. Castillo-Armas was assassinated in 1957. A succession of rightist military presidents followed. The United States played a role in the turnovers. One President, Miguel Ydigoras-Fuentes—a reform-minded general—was influential along with Roberto Alejos in selling Presidents Eisenhower and John F. Kennedy on training Cubans who later took part in the Bay of Pigs invasion.

In recent years Guatemala has adopted a new constitution which nudged the country closer toward political modernity. Last year a military regime peacefully handed over control to the democratically elected President Méndez Montenegro to the surprise of nearly everyone. The act was cheered from right to left. Washington influence helped bring about the peaceful change.

### **Business prospering**

During the years of stabilized government American business in Guatemala has prospered despite the communists and The White Hand.

The Guatemalan business community was one of the first groups to urge the government to get the soldiers out of the barracks and into the field to fight communists.

The traditionally conservative community has, at the same time, clearly recognized the danger from the other extreme. Businessmen, including many Americans, have a good record in the present emergency.

American influence is obvious here. Guatemalans drive American automobiles, drink Coca-Cola, bank at the Bank of America, burn Esso or Texaco gas, take trips on Pan American, sew on Singers, see Hollywood films.

International Railways of Central America is American-owned. So is the Empresa Eléctrica of Guatemala. United Fruit Co., once whipping boy for so much of Central America, is now fairly well respected among the natives.

Upjohn Co. and E. R. Squibb & Sons pharmaceutical houses are increasing their investments. American money is going into stores selling American-made Tappan appliances. American funds are invested in two big tobacco firms. Weyerhaeuser Co. is here for box

manufacturing. Grace Line Inc. is moving into food processing. International Nickel Co. has exploration concessions in Izabal department. This may result in a \$50 million investment.

American businessmen are justifiably jumpy about kidnappings and killings. They have much at stake. Of the \$223 million in imports flowing here every year, the United States provides 43 per cent. In turn the United States buys 45 per cent of Guatemala's exports. These are almost entirely agricultural—coffee, cotton, meat, sugar, bananas.

Since last summer business has nosed down. Revenues from cotton and coffee may run 20 per cent below the figures for 1965 and 1966.

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Here are facts  
that answer  
Big Labor's new  
propaganda line  
for this year's  
negotiations.  
See page 42.

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Much of the blame goes to terrorists of the left and right.

Because the United States has faith in President Méndez Montenegro, the new government has received international loans for roads, port facilities, water systems and electrification. The business community here likes the new president, too.

### **Not universally loved**

Guatemalans do not all love Uncle Sam. Some cordially hate the United States and always have. They feel that for 100 years Americans have exploited their country, hauled off its resources, worked the peasants, rigged their governments and kept the country divided.

The American record in Guatemala is not without blemishes.

And so it is a pleasure to hear people like Dr. Francisco Villagrán-Kramer speak up for the United States. He is a University of Iowa-educated lawyer and member of a distinguished Guatemalan family. But he is distinctly left and suspi-

cious of the United States. Still he says:

"The behavior of North Americans and North American firms here in the past few years has not been bad at all. United Fruit Co. now has many Guatemalans in high positions. The company pays wages above the average, distinctly so.

"The big American companies have good employee clinics, rest areas. Guatemalans want to work for U. S. companies, that's obvious.

"The biggest reason for this improvement in relations is that American companies now trust us more than they used to. A Guatemalan once could be only a janitor. Now there are many locals in high places."

U. S. companies must contend with communists in labor unions. They don't just want more pay and better working conditions. They want land reform and nationalization of industries. They want to chase foreign companies out, subvert the army and make moderates like President Méndez Montenegro look bad.

### **Latin America in microcosm**

In Guatemala it is the same story as in much of Latin America: A small percentage of the people own 80 or 85 per cent of the land. Seventy per cent of the people are illiterate. Many people speak Spanish, but most speak one of the Indian languages.

The increase in food production has not kept pace with baby production. Though in recent months Guatemala has become more active in the new Central American Common Market and trade with her close neighbors has increased, it is not enough to take care of the annual increase in population.

Therefore it seems that each year the living standards of the shoeless peasant, one of the poorest men in the Americas, fail to improve.

An estimated 80 per cent of the Guatemalan population plays almost no role in the economy. The people in this group produce too little, earn too little, spend too little. As one Guatemalan said, "They need everything."

So the rich are very rich, the poor very poor, the right is very right—the left very left.

This is a nation of extremes, extremists, and that's the big problem.

What Guatemala seems to need most are moderates. The country is getting them, but the process is so slow that communists in the hills and The White Hand below can still play hob with the peace. **END**





# Survey shows truth about lending

## Proposed law for new controls on credit buying seen as impractical

"If consumers are to plan prudently and to shop wisely for credit, they must know what it really costs. . . . The consumer has the right to know the cost of this key item in his budget just as much as the price of any other commodity he buys."

Once again President Johnson has asked for a so-called truth in lending law.

Specifically, the President urges that the consumer "be presented with a price tag that will tell him the percentage rate per year that is being charged on his borrowing."

EDGAR R. McALISTER, the author, did the research on which this article is based. He teaches at the School of Business Administration, North Texas State University, and is author of "Retail Installment Credit: Growth and Legislation."

A variant of this widely criticized proposal is written into every truth in lending bill now being seriously considered by Congress.

There's no question that people should understand the terms under which they borrow or buy on credit. The point is, the planned legislation is the wrong approach. There are a number of reasons why this is so.

First, the way business operates in America is the chief guarantee of protection for purchasers.

Complete knowledge of practices of all firms selling on installment terms is not attainable. However, valuable information on typical business practices was gained from a survey I conducted of firms in Ohio, Texas and Arkansas.

Many of the interviews were with nationally known organizations, in-

cluding Sears, Roebuck and Co., Montgomery Ward and Co., Inc., J. C. Penney Co., Zale Corp., the Firestone Tire and Rubber Co., Federated Department Stores, Inc., and Allied Stores Corp.

These companies, as well as automobile dealers and others, frequently use identical installment sales contracts and terms in several states. This provided some information on practices in states other than those where interviews were conducted.

Altogether, some 55 installment sales contracts and revolving credit agreements were collected and analyzed.

The majority were quite complete and would comply with most existing state laws and with all but one of the provisions of the proposed federal act.

This was true, for the most part, even in Texas and Arkansas where no law—state or federal—requires disclosure of any kind.

This fact indicates that standard business practices, competition or both provide a great deal of protection to consumers even in the absence of specific legislation.

Although the interviews are not a large enough sample from which to draw inferences with high statistical reliability, the facts are typical for those areas and are characteristic of business practices in general, especially since some of them represent practices nationally.

Admittedly, many consumers are not aware of what it costs to buy on the installment plan. There are at least two possible explanations for this: Deception by the seller, or unconcern on the part of the consumer. The latter probably accounts for the lack of knowledge in most instances.

### Consumers often ignore details

Many consumers make no attempt to familiarize themselves with the important details of an installment transaction. Their primary interest is in getting a useful product now. They want to know how much per month it will cost and whether the monthly payment will fit their budget.

This may not be the most desirable type of consumer behavior from a social viewpoint, but it's doubtful that consumer habits can be changed by legislation—state or federal. A better solution is to educate consumers as to the most



effective economic behavior—if this can be determined.

Instances where costs of credit are not known because consumers are deceived are tiny compared to all credit transactions. Undesirable practices usually are limited to firms operating on the periphery of business ethics or to the outright unscrupulous. Far more sales, credit or otherwise, are made by reputable firms. In addition, substantial legislation already exists in some 40 states to protect consumers in their dealings with the shady operator.

The proposed bill for regulation of lending is supposed to cover not only installment loans but also installment sales.

Use of the term "lending" in the proposed bill is a misnomer. Consistently, about two thirds of installment credit outstanding consists of debt incurred by consumers in purchasing goods and services. Since a sale of merchandise is not a loan of money—and should not be considered as such—it is difficult to understand how this bill properly can be called a lending measure. It could more appropriately be titled an Installment Credit Control Bill.

#### **Present controls are ample**

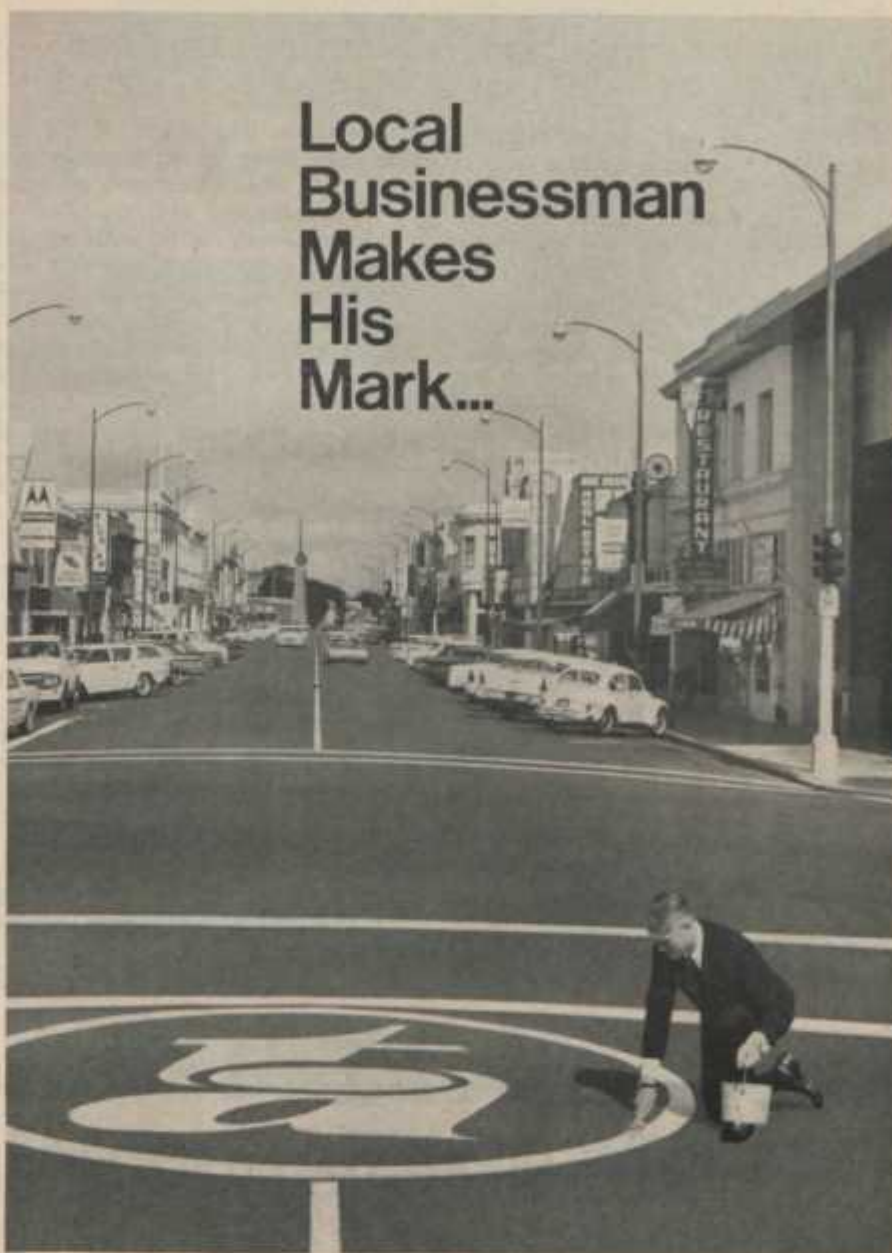
Little, if any, need would appear to exist for any new federal legislation in the lending area since it is already subject to control by both federal and state governments.

For example, personal finance companies—which account for about 40 per cent of installment loans—are covered by effective small loan laws in 45 states. Credit unions operate under either state or federal charters and are limited as to the rates they charge. Commercial banks are supervised by both federal and state governments. The Federal Housing Administration exercises broad control over home improvement and modernization loans. Finally, if no special law exists, almost every state has a usury law prohibiting excessively high rates of interest on loans.

There is no need for a federal lending act unless it can be shown that all existing state legislation is ineffective or of the wrong type.

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## SURVEY SHOWS TRUTH ABOUT LENDING

*continued*

ence between cash price and down payment), itemized charges not related to the extension of credit itself, total amount financed, finance charge in dollars and cents, and the percentage that the finance charge bears to the total amount to be financed expressed as "an approximate annual rate" on the average outstanding unpaid balance of the obligation. There can be little doubt as to the desirability of fully informing consumers, but the best means of accomplishing this end are subject to debate.

As already noted, competitive practice among installment sellers and lenders provides considerable protection for consumers against unscrupulous devices. Legal requirements, such as those cited, assure even greater protection. In other words, the existence of another law probably would not substantially change the disclosure practices of reputable dealers.

It is interesting to note the close similarity which the provisions of the proposed federal act bear to legislation in 40 states already in effect covering disclosure, finance charges and other aspects of installment

transactions. This kind of legislation has been in existence since 1935 with the enactment of laws by Wisconsin and Indiana.

Almost every state with an installment sales act (over 80 per cent of the population of the United States is covered by some state statute) already requires disclosure of the same items to be required by the proposed federal bill, as well as additional items not to be required by the federal law. (Exception: the provision pertaining to statement of finance charges in terms of an annual rate.)

A requirement that such charges must be expressed in terms of a simple annual rate on the average unpaid balance is judged of questionable value by authorities on installment finance.

There are several reasons why such a requirement would be undesirable.

First, many methods can be used in computing such rates. This situation, combined with the fact that terms and conditions under which installment sales are made are of endless varieties, would render such a provision impractical in applica-

tion. Business processes would be hamstrung in calculations. Costs to both the firm and the customer actually would be increased.

Second, statement of finance charges in terms of a rate—either true or nominal—implies that such charges are in the nature of interest. Legally and traditionally, interest has been defined as a charge made for the use of money. Finance charges on installment sales are made largely for services performed for consumers. Interest on the use of the money involved in such transactions constitutes only a fraction of the total cost of selling on installments.

### **Cash price vs. time price**

A majority of jurisdictions have ruled consistently that there is a difference between a cash price and a time price and that this difference is not interest. Therefore, from both a legal and a theoretical standpoint, charges made on installment purchases are not interest. Requirements that such charges must be stated as a rate would have the effect of equating them with interest.

Finally, there is a distinct possibility that some sellers would bury such charges in the price of the

## THE NEW GENERATION

Next month NATION'S BUSINESS starts a new regular column, "The New Generation." It will be written by Jeffrey St. John, bright, young journalist and newscaster. The column will explore the thoughts, drives, interests and goals of today's young men and women, who comprise the fastest-growing segment of the nation's population.



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Look for "The New Generation" in our June issue.



merchandise if a statement in terms of a rate were required. If so, consumers would be given less information than is available now, since most states with installment sales acts already require disclosure of such charges in dollars and cents.

Further, there is little merit in expressing finance charges in terms of a rate per se as opposed to a statement in terms of dollars and cents.

A buyer who is told that an installment purchase will cost him \$20 in finance charges can decide whether one alternative or another is best just as easily as the individual who is told that his charge will be eight per cent per year. A charge of \$20 can be compared to one of \$25 as easily as comparing eight per cent and nine per cent.

Likewise, a statement of charges in terms of a true rate (on the average unpaid balance) has no particular advantage over a nominal basis (on the original unpaid balance) in making intelligent choices between alternative means of financing. Not so long as the rates subject to comparison are expressed the same way.

For example, a nominal rate of six per cent can be compared to a nominal rate of eight per cent, or a true rate of 11 per cent can be compared to another true rate of 14 per cent. In either case, intelligent decision is possible.

Whether the rate of charge on a given transaction is explained to the buyer in terms of a true or nominal rate does not alter the amount of charge he actually pays. If an item costs \$500 on an installment plan and the finance charge is \$40 per year, statement of the charge in terms of an eight per cent nominal or 14 per cent true rate does not alter the fact that the amount actually to be paid for the privilege of buying on an installment basis is \$40.

The most significant question is whether or not the customer is willing to pay \$40 for this method of payment.

#### What can be done

At least two courses are possible: enactment of the proposed federal bill or continuation of state efforts to protect consumers through retail installment sales legislation.

The outlook is for more of the latter type of legislation. Twenty-seven of the 40 state laws now in existence have been enacted since 1956. Hardly a legislative year passes that some state does not pass a new installment sales act

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## SURVEY SHOWS TRUTH ABOUT LENDING

continued

or amendments to an existing one. If the present trend continues, all of these states will have one soon.

Finally, business conditions, practices and needs vary considerably from state to state and even from time to time within a given area. The state legislatures are closest to the grass roots and most capable of recognizing needs for new legislation or changes in existing statutes.

Because of differing conditions and the necessity for changes in laws, flexibility and adaptability are essential ingredients to appropriate statutory consumer protection. A federal law in this field would not

be able to deal with varying needs, but would establish standard terms, regardless of conditions. And amendments, which surely would be required to keep such legislation up-to-date and effective, would be difficult, if not impossible, to enact due to the varying interests of legislators and different states.

When all things are considered—protection afforded by state laws now in existence, future state legislation to be enacted, the need for flexibility and adaptability to varying needs among states—the most logical alternative for assuring complete consumer protection against economic oppression in installment

buying is the continuation of the role of individual states without the intervention of the federal government.

I have studied the legislation since it was first proposed by Sen. Paul Douglas of Illinois, who was defeated by Charles Percy in last November's election.

To be sure, its current sponsor, Sen. William Proxmire of Wisconsin, has adopted a more flexible public stance, substituting an "approximate annual rate" for "simple annual interest."

But to me the essential difficulties remain. Furthermore, once the bill reaches the Senate floor, it may well be amended to apply former Sen. Douglas' less-realistic "simple annual rate." **END**

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**Nation's Business**

•

**May 1967**

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evenly, without a trace of draft. Or, if conditions require it, your C-60 Luminaire Ceiling System can distribute conditioned air from virtually invisible, "whisper-quiet" linear diffusers built into the ceiling's suspension system.

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